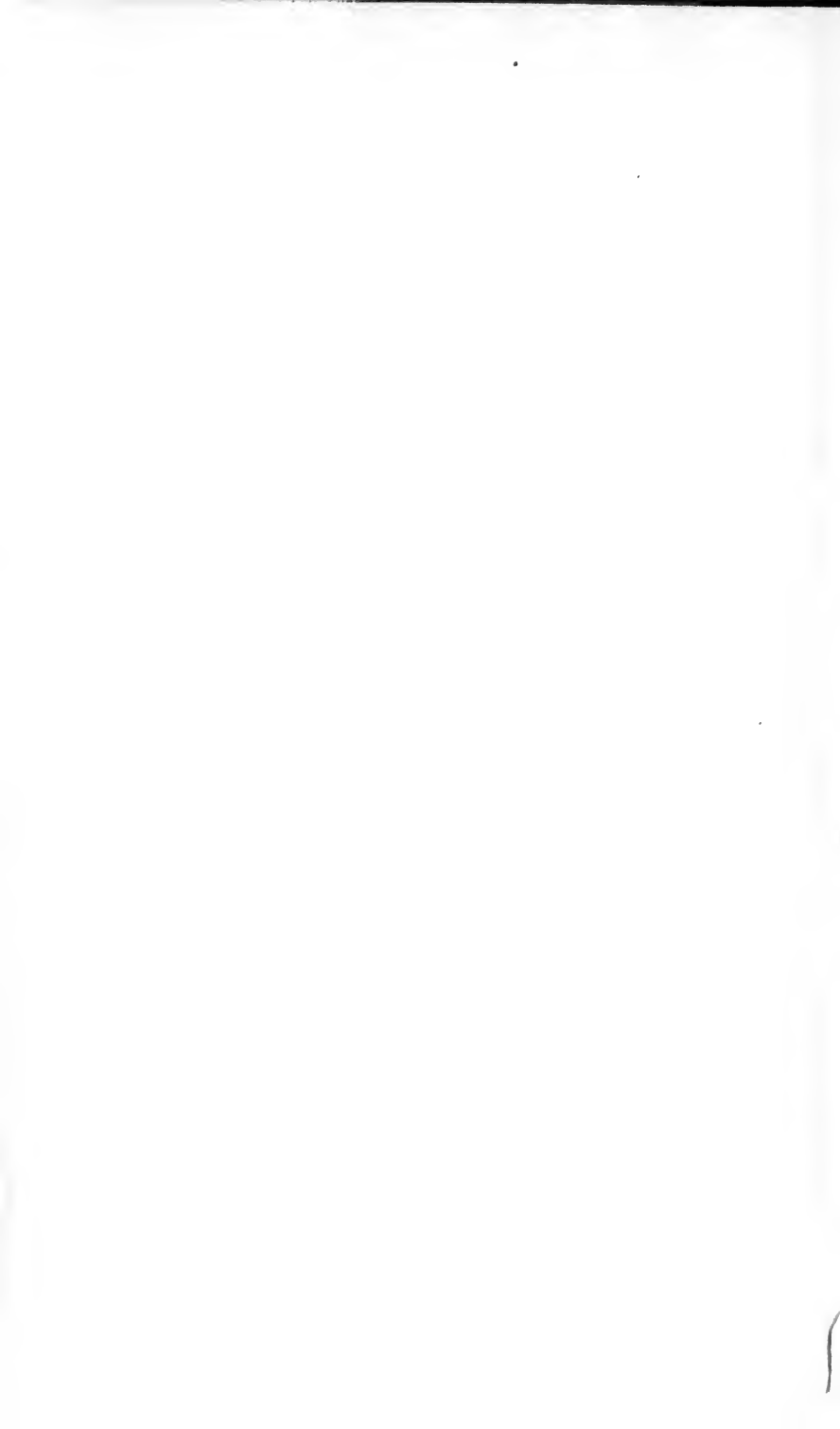


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# SPEECH

OF THE

CHANCELLOR OF THE EXCHEQUER

*The Right Hon. Mr. Gladstone;*

ON THE

FINANCIAL STATE AND PROSPECTS  
OF THE COUNTRY,



DELIVERED IN THE HOUSE OF COMMONS,

ON MONDAY, APRIL 18, 1853.

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*The House having resolved itself into a Committee of  
Ways and Means,*

The CHANCELLOR of the EXCHEQUER rose and said,—

THE annual exposition of the financial state and prospects of this country, even upon ordinary occasions, affords abundant material of interest to this House and to the country, and of anxiety to the person charged with the preparation of that exposition; but on the present occasion, perhaps that interest on the one hand, and certainly that anxiety on the other, are greatly enhanced by a variety of circumstances, including among them the number of separate motions respecting taxes which have recently been made in this house, and which indicate the increasing eagerness of the people with respect to financial questions.

Political events, shocks which have enfeebled or overthrown Administrations, and which have made it necessary to adjourn from year to year questions of taxation, have likewise greatly accumulated on the present Government the task they have to discharge in that department; and in connexion with those questions there have of late been raised discussions of a nature most deeply interesting, descending to the first elementary principles of taxation nay, almost to the first principles on which men are united in civilized society. With a task so formidable before me, I feel warranted in addressing a special appeal to the Committee for their kindness and indulgence, for I am certain that only by their kindness and indulgence can I be enabled—I will not say to discharge the task as it ought to be discharged, for that is wholly beyond my power—but to discharge it so as in any case to be at least intelligible to my hearers.

The first portion of my duty will be to lay before the Committee the state of the account of the country. I think I shall best discharge it, by taking up the state of that account from the point at which it stood last year, when the financial department was in the hands of the right hon. gentleman opposite (Mr. Disraeli); and it will be satisfactory to the Committee to observe, that as our experience grows with the lapse of time, so do we obtain larger and still larger proof of the elasticity of the revenue, and of the progress of the productive and consuming powers of the country.

On the 30th of April, 1852, the right hon. gentleman opposite estimated the revenue for the financial year, which had then just

commenced, at 51,625,000*l.*, and in the month of December, 1852, when the right hon. gentleman had occasion to return to the subject, he was able to present to us an estimate which placed the revenue of the year at 52,325,000*l.*, exhibiting an increase upon his estimate in April amounting to not less than 700,000*l.* And now, within the few months which have elapsed since last December, we have further evidence of the same gratifying character, for the revenue which the right hon. gentleman then judiciously estimated at 52,325,000*l.* amounted to no less, when we reached the termination of the year on the 5th of April, than 53,089,000*l.*, showing an increase of 1,464,000*l.* upon the estimate formed at the commencement of the year.

The expenditure of the last year, as estimated by the right hon. gentleman opposite on the 30th of April, 1852, was taken at 51,163,000*l.*, but the actual expenditure has only reached to 50,782,000*l.*, and consequently you have had figures presented to you in the balance-sheet which must have been gratifying to every member of the Committee, in showing a surplus of income over the expenditure for the year beginning April 6, 1852, and ending April 5, 1853, to the amount of 2,460,000*l.*

But, Sir, having reached this point by a smooth and easy progress, it is now my duty to entreat hon. gentlemen to make large deductions from the very sanguine estimate which has been made in this House—so sanguine as, considering the quarters from which it came, to excite my surprise—that because our balance-sheet for the past year shows 2,460,000*l.* of surplus, therefore we have that sum available for remission of taxation. That would be a too precipitate inference. Unfortunately, before we arrive at that conclusion, there is one circumstance rather material to examine, and this is, what is the estimated amount of expenditure for the year that we have just commenced?

Well, when I look to that, and compare it partly as it is estimated, but chiefly as it appears on the actual votes of this House, with the estimates of the last year, I find it stands as follows:—The expenditure for 1852-53 was 50,782,000*l.*; but the expenditure for 1853-54, the great bulk of which is already voted, and upon which I can anticipate, on the whole, no diminution, amounts to 52,183,000*l.* Therefore, without going into other particulars, which, I am sorry to say, occasion a further deduction from the surplus of 2,460,000*l.*, I beg to point out that no less than 1,400,000*l.*, or nearly three-fifths of that surplus, are already disposed of by the charges to which you are liable under acts of Parliament, by the votes to which the House has come for the defence of the country, and by the charges on account of the miscellaneous services, which, I apprehend, this House will not be inclined either to refuse or to diminish.

The right hon. gentleman opposite, in December, 1852, estimated as follows his surplus for the present year:—He took a

total sum of 1,600,000*l.*, of which, I think, he stated that, on the ordinary revenue, he would venture to anticipate a surplus amounting to between 1,300,000*l.* and 1,400,000*l.*, and by decrease of charge for the Caffre war, a further sum of 200,000*l.* or 300,000*l.* These two sums put together gave a surplus, as the basis of his calculation for the year, amounting to 1,600,000*l.* At that period, the right hon. gentleman thought that the only charge against that surplus on account of coming expenditure would be the sum of 100,000*l.*, which he proposed to apply to light dues and purposes connected with shipping, and 600,000*l.* for the increase he anticipated on the great military services of the country. As regards the 100,000*l.*, the present Government have made arrangements which they hope will afford great relief to shipping, without any charge to the Exchequer; but as regards the estimates for defence made by the right hon. gentleman, his successors in office have not been so fortunate; nor have they, nor has the House, thought it wise to confine the votes for the year within these limits.

I shall now state to the House how that surplus of 1,600,000*l.* has been swallowed up. The increase on the navy estimates, including the packet service, as it was voted in 1852, and as we found it prepared for this year (making the comparison with the estimate of April, 1852, and not for my present purpose including the supplemental vote of December), amounts to 617,603*l.*

The increase on the army and commissariat, but almost entirely on the commissariat, is 90,000*l.*; and that increase on the commissariat is to be accounted for by the fact that we have now reached, we trust, that stage in the hostilities at the Cape when we may consider our extraordinary votes at an end, and when the provision to be made has passed under the head of ordinary expenditure; therefore, though it is our duty to submit to the House, during the present session, an extraordinary vote for 200,000*l.*, which is essentially retrospective, we have likewise to submit a vote for 70,000*l.* in commissariat expenditure, which in its character is prospective, and analogous to our ordinary estimates. So that a double expenditure, as far as the Cape is concerned, is charged on the service of the present year.

The increase on the ordnance is 616,000*l.* The militia estimates have not yet been brought to the shape in which they will be laid on the table; but I am sorry to say that there will be a large, yet I believe an unavoidable, increase on the amount estimated last year by my right hon. friend then Secretary for the Home Department. The estimate for the present year cannot, I fear, be expected to be much less, if at all less, than 530,000*l.* I doubt if it was expected twelve months ago by my right hon. friend that the amount would be more than something like 300,000*l.* If this be so, there will be a considerable increase in the expense of giving effect to that plan, and it is right that the

House of Commons should know clearly the expense of giving effect to any plan, especially one which has realized, in other respects, all the most favourable anticipations formed of it. The increase of expense for the militia, as compared with the reckoning of my right hon. friend, will, I apprehend, be about 230,000*l*.

The last item in these augmentations of expense is the sum of 100,000*l*., added to the votes during the present year for the purposes of public education. If the committee take the pains to put together these five items, they will find that, though the right hon. gentleman opposite (Mr. Disraeli) anticipated a surplus of 1,600,000*l*. for the financial year of 1853-54, the augmentations of charge, principally voted already and in part yet to come, amount to no less than 1,654,000*l*.

However, as I have already stated to the committee, there has been a further improvement in the revenue of the country, and there are likewise some few items of public expenditure on which the Government have been able to effect some small saving.

With respect to the important and unsatisfactory charge for the packet contract service, it has been our most anxious desire to see what, consistently with justice, was to be done to amend the position of the public. We think that the amount of charge which that service has reached is wholly disproportionate with the benefit derived.

I am not at present in a condition to lay the estimate on the table, or to state exactly what the estimate will be, but I venture to anticipate that at any rate, for the first year, we may be able to effect a saving on it of not less than 75,000*l*. There will also be a saving on the charge for Exchequer bills, owing to the diminution of interest, amounting to about 65,000*l*., and there will be a sum, which the House must observe is occasional in its nature, of 135,000*l*., arising out of repayments to the Crown revenues, and available under the provisions of the law as ways and means, in consequence of a bill lately passed by the House, which had reference to metropolitan improvements; and also there will be a sum available, through the liberation of the Crown revenues from a charge which heretofore affected them on the same account, to the extent of about 27,000*l*. These various items will give a fund amounting to about 301,000*l*.

I will now state more particularly to the committee the items of anticipated revenue and expenditure of the country, from which they will see precisely the amount of the surplus we have to deal with. I should at the outset explain that I think it will be convenient that I should in all cases, disregarding minute inaccuracies, give my estimates in round numbers. I will now present to the committee an account of the estimated revenue and expenditure for the year 1853-54. With regard to the expenditure, the charge for the funded debt is put down at

27,500,000*l.*, and the charge for the unfunded debt at 304,000*l.*, making a total for the debt of 27,804,000*l.* The charges on the consolidated fund will be 2,503,000*l.*; the army estimates, 6,625,000*l.*; the navy, 6,235,000*l.*, not including the packet service; the ordnance estimates, 3,053,000*l.*; miscellaneous, 4,476,000*l.*; commissariat, 557,000*l.*; the militia, as nearly as I can judge, 530,000*l.*; the extraordinary vote for the Caffre war, 200,000*l.*; and the packet-service, I think, may be reasonably taken at 800,000*l.* for the present year. These items give a total of estimated expenditure amounting to 52,183,000*l.*

I now come to the estimate of anticipated revenue. I take the revenue of the Customs at 20,680,000*l.*; Excise, 14,640,000*l.*; stamps, 6,700,000*l.*; taxes, 3,250,000*l.*; and income-tax, 5,550,000*l.* From the Post-office we expect 900,000*l.*; and from the Crown lands, swelled by the addition I have already referred to, 390,000*l.*; from miscellaneous sources of receipt (including, I think, about 160,000*l.*, being the capital of the Merchant Seamen's Fund, out of which we shall have to pay 80,000*l.* during the present year on account of pensions, and the whole of the remainder, I need not say, will be absorbed long before that charge for pensions ceases) we expect about 320,000*l.*, and from old stores 460,000*l.* To these I venture to add, though the item is necessarily one of uncertainty and conjecture, that I anticipate a saving of not less than 100,000*l.* from the operations which have been proposed to the House in connexion with the exchange and redemption of stock. It may, certainly, be less, and it may, on the other hand, be more—the final result, I hope, will show a considerably greater saving. I venture now to take credit for 100,000*l.* on that account. Adding up, then, these various items, the committee will find that they give a total estimated income for the year of 52,990,000*l.*, against which we have to set the total estimated expenditure of 52,183,000*l.*, showing an apparent surplus of 807,000*l.*

Anxious, above all, to avoid raising undue expectations, I am desirous to impress on the committee that it must bear in mind that out of this sum of 800,000*l.* an amount of 215,000*l.* consists of monies which do not proceed from permanent or recurring sources, but of monies available simply for the year, and not to be repeated. Likewise, with the uncertainty connected with the item for the packet-service and with that for the Channel Islands' harbours, on which my right hon. friend at the head of the Admiralty and I are not quite sure whether we can or cannot venture to make a reduction in the sum printed in the estimates, it is possible that the surplus I have mentioned may fall short of being realized to the extent, perhaps, of 100,000*l.* Therefore, it will be more secure for the committee to assume that the surplus, instead of 800,000*l.* will be 700,000*l.*, and to bear in mind that 215,000*l.* out of it consists of occasional payments. At the same time,

while giving this explanation by way of caution, my sanguine hope is that we shall realize a surplus of 800,000*l*.

This is the state of the account of the country, as I have endeavoured to bring it up to the present moment. The committee will not have failed to observe that in reckoning the estimated income I have included a large sum, amounting to more than one-tenth of the whole revenue which, from 1842 up to the present time, we have been deriving from the income-tax. However, the income-tax has at this moment legally expired, and it will be for the committee to consider whether or not they shall revive it. Upon that subject I am afraid that it will be my duty to trouble the committee at some length; but before I venture on a detailed and continuous exposition of the views of the Government with respect to prospective finance, there are two incidental questions to which I shall briefly advert, on account chiefly of the position they occupied in the financial statement of my predecessor in the office I now have the honour to fill.

The first of these has reference to a particular class. Now, as regards the shipping interest, the House knows from a statement already made by my right hon. friend the President of the Board of Trade, that Her Majesty's Government propose to afford what they trust will be found considerable benefit and relief to that interest, without inflicting an annual charge upon the public.

But there was another interest mentioned by the right hon. gentleman opposite (Mr. Disraeli) which has so much claim upon the general sympathies of the House, that respect and consideration demand that I should not leave it without mention, I mean that which is called the West Indian interest. With regard to that interest, I regret to say that there is indeed little, if any thing, that can be done by a Government, in our view, consistently with its more extended duties to the public, in fulfilment of the requisitions which that interest has preferred. With regard to a reduction of the duty on sugar, which is one of its requests, in proportion to the fall in the duty upon foreign sugar, so as to maintain the differential rate that now exists between them, it is entirely impossible for the Government to hold out the smallest hope that their recommendation can be adopted. With respect to the question of refining their sugar in bond, which is of a different character, my hon. friend the Secretary to the Treasury (Mr. Wilson) will take a future occasion of entering more at large into that question; but I regret to say that we have not discovered any method of granting that privilege in the present state of the law with respect to sugar, which would be satisfactory to the West Indians and to the refining trade, and which at the same time would not inflict very heavy loss upon the revenue. With respect to the equalization of the spirit duties, again I fear that really nothing

remains to be done in that respect. I believe the distillers of this country consider that already the duties have been somewhat more than equalized, all things considered, in the case of the West Indies. At all events, we are not prepared to propose any change in the law in the nature of equalization of spirit duties as between colonial and domestic produce.

There is but one way in which it has occurred to the Government that they might entertain a sanguine hope of being able, at very slight charge to this country, perhaps at no charge, to confer material benefit on the West Indies, and that is a way which, if it can be effected, will, I am sure, command the approbation of this House, because it is by enabling them to economize the heavy expenditure of their own governments, a heavy and now in many cases almost a ruinous expenditure. In the case of Jamaica, for example, there is a public debt, the minimum rate of interest upon which is 6 per cent., and the maximum 10 per cent., the capital of the debt amounting to about 500,000*l.*; and if it were possible for the Government to induce the Assembly of Jamaica to amend the vicious constitution of that island, and to place it upon a foundation that would give scope for a strict control over expenditure, Her Majesty's Government would then be disposed to recommend to this House to employ the credit of this country in the way of guarantee on behalf of the island of Jamaica. I do not now inquire whether that would entail a charge upon you; I believe it would entail none. I should be the first to assert, that there should be the utmost jealousy as to the interposition of the credit of this country between debtors and creditors out of this country, but considering all that has happened to the West Indies, considering the effect that British legislation has had in precipitating their difficulties, I do believe that if we were able to point out a prospect of great and effectual relief to Jamaica, to be indirectly obtained through an effectual reform in its government, this House would look with a generous and a considerate eye upon any proposal for using the credit of this country in the manner that I have mentioned. What I have said refers to Jamaica, which presents at this moment by far the most urgent case of distress among the West India colonies; I am not sure that there is any other among those colonies which would be in a condition to request a similar interposition; if they did, it would depend upon the case they showed. I do not think it likely that such a case will arise; all I mean to say at the present moment is, that the door would not be absolutely shut against them.

I pass on now from the collateral topic of the West Indian interest to another such topic—that connected with the Exchequer Loan Fund. After all that passed in debate in December last, it was evidently the duty of Her Majesty's Government to make

a full investigation into the transactions of that Board. We have instituted that investigation; we have presented the results in print to the House; they are in a form so simple that an inspection occupying only a few minutes will exhibit them to any hon. member. It appears from the figures there presented, that after debiting the Exchequer Loan Fund—I will not say with every folly of Parliament, but with every questionable or ambiguous grant that was made—after charging the whole of this to the last farthing, yet such has been the sound discretion exercised by the members and officers of that board in the loans they have made, that while they have afforded an immense amount of local accommodation, they have likewise realized, after paying every expense that belongs to the office, a net balance of not less than 227,000*l.*, which balance, if we put values such as sanguine men might perhaps put upon certain investments that have not yet been realized, it is far from impossible may be raised to nearly 1,000,000*l.* of money to the credit of the entire transactions of the board. It is our candid opinion, under these circumstances, that the favourable sentiments expressed by my right hon. friend the First Lord of the Admiralty, in December last, in regard to the Exchequer Loan Fund, are justified by the facts, and it is not our intention to propose the abolition of that system, which we think has been both honourable to those who have administered it, and highly beneficial to the country.

I now approach a very difficult portion of the task that I have to perform—the discussion of the income-tax. The first question that this committee has to consider is, whether or not it will make efforts to part with the income-tax at once. I do not say that such an alternative is impossible. On the contrary, I believe that by the conjunction of three measures, one of which must be a tax upon land, houses, and other visible property, of perhaps 6*d.* in the pound; and another, a system of licences upon trade made universal, and averaging something like 7*l.*; and the third, a change in your system of legacy duties, it would be possible for you at once to part with the income-tax. But Her Majesty's Government do not recommend such a course to the committee. They do not recommend it, because they believe, in the first place, that such a system would, upon the whole, be far more unequal and cause greater dissatisfaction than the income-tax; they believe, likewise, that it would arrest other beneficial reforms of taxation; and they believe, that it would raise that difficult question in regard to the taxation of the public funds of this country in a form the most inconvenient. I might dilate upon this subject, but it is needless to do so. I leave it to those, if such there be, who are prepared to recommend the immediate abandonment of the income-tax. Such is not the recommendation of Her Majesty's Government.



Now, in regard to the income-tax, I wish that I could possess the committee with the impression, that constant study has made upon my own mind of the deep and vital importance of the subject. We are too apt to measure the importance of the subject by the simple fact, that we draw from this tax 5,500,000*l.* of revenue. Sir, that sum is a large one, but the mention of it conveys no idea to the committee of the immense moment and magnitude of the question. If you want to appreciate the income-tax you must go back to the epoch of its birth; you must consider what it has done for you, in times of national peril and emergency; you must consider what, if you do not destroy it—and I will explain afterwards what I mean by “destroy”—what it may do for you again, if it please God that those times shall return.

Sir, it was in the crisis of the revolutionary war that, when Mr. Pitt found the resources of taxation were failing under him, his mind fell back upon the conception of the income-tax; and, when he proposed it to Parliament, that great man, possessed with his great idea, raised his eloquence to an unusual height and power.

There is a description of the speech of Mr. Pitt on that occasion, written by a foreigner, a well-known writer of the day—Mallet du Pan—which I may venture to read to the committee; I believe, after the lapse of fifty-five years, it will be heard not wholly without interest. This is an account which, in a periodical that he edited, he gives of Mr. Pitt's speech, in 1798:—

“From the time that deliberative assemblies have existed, I doubt whether any man ever heard a display of this nature, equally astonishing for its extent, its precision, and the talents of its author. It is not a speech spoken by the Minister; it is a complete course of public economy; a work, and one of the finest works, upon practical and theoretical finance, that ever distinguished the pen of a philosopher and statesman. We may add this statement to the learned researches of such men as Adam Smith, Arthur Young, and Stuart, whom the Minister honoured with his quotations.”

I do not know whether this committee are aware how much the country owes to the former income-tax; but, because I deem it to be of vital importance that you should fully appreciate the power of this colossal engine of finance, I will venture to place before you, in what I think an intelligible and striking form, the results which it once achieved. I will draw the comparison between the mode in which your burdens were met, during that period of the war when you had no income-tax, during that period of the war when you had the income-tax in a state of half-efficiency—and during that last and most arduous period of the war, when the income-tax was in its full power.

From 1793 to 1798, a period of six years, there was no income-tax; from 1799 to 1802, there was an income-tax; but

the provisions of the law made it far less effective, in proportion to its rate, than it now is; and from 1806 to 1815, a period of eleven years, you had the income-tax in its full force. Now, every one of us is aware of the enormous weight and enormous mischief that have been entailed upon this country by the accumulation of our debt; but it is not too much to say, that it is demonstrated by the figures, that our debt need not at this moment have existed, if there had been the resolution to submit to the income-tax at an earlier period. This test, I think you will admit, is a fair one; I put together the whole charge of government and war, together with the charge of so much of the national debt as had accrued before 1793, so as to make (if I may so express myself) a fair start from 1793. The charge of government and war, together with the charge of debt incurred before 1793, amounted, on the average of the six years, down to 1798, to 36,030,000*l.* a-year: the revenue of that period, with all the additional taxes that were laid on, amounted to 20,626,000*l.* a-year; there was, therefore, an annual excess of charge above revenue—charge for government, for war, and for debt contracted before 1793, but not including the charge of debt contracted since 1793—of no less than 15,404,000*l.* In 1798 you just initiate the income-tax, and immediately a change begins. In the four years, from 1799 to 1802, the charge for the same items that I have mentioned, which had been 36,000,000*l.*, rose to 47,413,000*l.* a-year; but the revenue rose to 33,721,000*l.* a-year, and the excess for those four years was diminished by about 2,000,000*l.* a-year; instead of an annual excess of 15,400,000*l.* over revenue, it was 13,689,000*l.* Now look to the operation of the tax, both direct and collateral, from 1806 to 1815, during the time when your exertions were greatest, and your charges were heaviest. The average annual expenses of war and government, from 1806 to 1815, together with the charge upon the debt contracted before 1793, were 65,794,000*l.*; but you had your income-tax in its full force, with your whole financial system invigorated by its effects, and the revenue of the country now amounted to 63,790,000*l.*; while the deficiency in actual hard money, which during the war represented something like double the amount in debt, owing to the rate at which you borrowed, instead of being 15,404,000*l.* a-year, or (as it was in the second period) 13,689,000*l.* a-year, was only 2,004,000*l.* a-year, from 1806 to 1815.

Such was the power of the income-tax. I have said there was a deficiency annually of 2,004,000*l.*, but it is fair for you to recollect, and it is necessary, in order to present to you the fact I want to place in clear view, that out of the 65,794,000*l.* of charge that I have mentioned, about 9,500,000*l.* were due for charge of debt contracted before 1793; so that, if you compare the actual expense of government, including the whole expense of war from 1806 to 1815, with your revenue when you had the

income-tax, it stands thus before you—that you actually raised 7,000,000*l.* a-year during that period, more than the charge of government, and the charge of war. That, I must say, is to me a most remarkable fact. It affords to me the proof, that if you do not destroy the efficacy of this engine—I do not raise now the question whether it is to be temporary or permanent, which I hold to be quite a different question, and I will go into that by and by—it affords you the means, should unhappily hostilities again break out, of at once raising your army to 300,000 men, and your fleet to 100,000, with all your establishments in proportion. And, much as may be said of the importance—in which I concur—of an army reserve and a navy reserve, and of having your armouries and your arsenals well stored, I say this fiscal reserve is no less important; for, if it be used aright, it is an engine to which you may resort, and with which, judiciously employed, if unhappily necessity arise—which may God in His mercy avert—with it judiciously employed you may again, if need be, defy the world.

This then is the purpose which the income-tax has served—that in a time of vital struggle it enabled you to raise the income of the country above its expenditure of war and civil government, and that service so performed, was performed at a time when men do not minutely inquire into the incidence of taxation, they do not then indulge themselves in the adjustment of details, but are afraid lest they should lose the mass and the substance. But times, when the hand of violence is let loose, and when whole plains are besmeared with carnage, are the times when it is desirable that you should have the power of resort to this mighty engine, to make it again available for the defence and the salvation of the country.

Well, Sir, the income-tax dropped along with the purpose of the income-tax, in 1816: but it was destined to be revived. Sir R. Peel, in 1842, called forth from repose this giant, who had once shielded us in war, to come and assist our industrious toils in peace; and, if the first income-tax produced enduring and memorable results, so I am free to say, at less expenditure by far in money, and without those painful accompaniments of havoc, war, and bloodshed—so has the second income-tax. The second income-tax has been the instrument by which you have introduced, and by which I hope ere long you may perfect, the reform—the effective reform, of your commercial and fiscal system; and I, for one, am bold enough to hope, and to expect, that, in reforming your own fiscal and commercial system, you have laid the foundations of similar reforms—slow, perhaps, but certain in their progress—through every country of the civilized world. I say, therefore, Sir, that if we rightly use the income-tax, when we part with it, we may look back upon it with some satisfaction, and may console ourselves for the annoyances it may have entailed by the

recollection, that it has been the means of achieving a great good immediately to England, and ultimately to mankind.

Let me now attempt to present to the committee a closer analysis of this impost. I shall assume that it is your view, as it is the view of the Government, that we cannot, at the present moment, with a due regard to the public interest, dispense with the income-tax; let us look a little into its composition. Let us attempt to investigate the charges which are alleged against it. I am not one of those who make light of those charges. In my own individual opinion it is perfectly plain, from the mode in which the income-tax was put an end to at the termination of the war, that it is not well adapted for a permanent portion of your ordinary financial system. Whether it is so or not, on which there is a great difference of opinion, yet I think this is on all hands agreed, that it is not adapted for a permanent portion of your fiscal system, unless you can by reconstruction remove its inequalities. Even if you could remove its inequalities, a question into which we will patiently examine, there would still remain in my mind at least objections to it of the gravest character.

The reconstruction of your income-tax would, I think, under any circumstances, be found to open up social questions of the most serious import; and the machinery of the income-tax, involving, as it necessarily does, to so large an extent, the objectionable principle of self-assessment, in my opinion can never be satisfactory to the country. First, because self-assessment leads to grievous frauds upon the revenue, and renders the real inequality of the tax far greater than any of those among its inequalities which immediately strike the public eye and feelings; and, secondly, because of the tendency to immorality, which is, I fear, essentially inherent in the nature of the operation.

But now let us examine the composition of the income-tax. First, let me observe, that we are too much in the habit of speaking of this impost as merely a simple tax; it is rather a code, or system of taxation. In mere bulk it is a volume; it has been elaborated by many successive strokes in successive years; it has accumulated a large mass of precedents for its application, and, in short, it is a vast and complicated system of taxation, by which we succeed in raising, in round numbers, 5,600,000*l.* a-year. One-28th part of this sum is 200,000*l.*

Now, if you investigate the composition of schedule A, you will find that land and houses—which I take together, because their position is substantially analogous—including the incomes charged upon them in respect to mortgages and settlements, pay no less than 12-28ths of the tax, or about 2,400,000*l.*

Now, let us look at the other great element of this tax—namely, the payment that proceeds from trades. In order to get at this payment accurately, we must descend a little deeper

than the mere classification of the schedules. There are in schedule A some considerable classes of property which pay duty along with land and houses, to the extent, I think, of something like 270,000*l.* a year, yet which are essentially trading concerns. For the purpose which I have in view I must likewise take out of schedule B the sum paid for the occupation of land, and place it along with trades, with which it is essentially analogous in character. This gives me 330,000*l.* more, and then I come to what I may call trades proper—namely, those which appear in schedule D, and which pay a sum of something like 1,200,000*l.* These three branches of trades in schedules A, B, and D contribute an income of no less than 1,800,000*l.*, or 9-28ths of the whole tax; and the two together—that is to say, land and houses and trades, pay 4,200,000*l.*, or 21-28ths of the whole tax. There remain the funds in schedule C, which pay 750,000*l.*, or 1-7th of the whole tax; and salaries in schedule E, which pay about 1-17th of the tax. Professions in schedule D, after striking out those which partake rather of the character of trades, pay 250,000*l.*, or about 1-22d of the tax. Thus we see, the funds, salaries, and professions make up the remaining fourth of the tax; three-fourths being paid by land and houses, and by trades.

Now, it is said that gross inequality is the characteristic of the tax, and that it ought not to be levied—that it is unjust to levy it upon precarious and realized income alike. What income is precarious, and what income is realized? Income derived from trade would, I presume, be called precarious; and, without wishing to anticipate the judgment of the committee, I may probably assume that this is their opinion. Now, I beg the committee to observe that, after all, the main question is between land and trade. Everything else, in respect of bulk and magnitude, forms but a mere outlier and appendage to this, the main question. Land and houses, we find, pay an income-tax of 2,400,000*l.*, and trade pays 1,800,000*l.*; between them they pay three-fourths of the whole tax. It is, therefore, evident that the justice of the present relations between land and trade must go a considerable way, I do not say the whole way, towards the solution of the great question whether the tax is, in the main, a just tax or not.

Let us look now at the case as it stands between land with houses on the one side and trade on the other, and, if the committee will do me the favour to follow me in the estimate I am about to enter upon, it shall be my endeavour to place the matter before them in as clear a light as possible. My first object is to show the amount of tax really paid by land. When persons say that realized and precarious incomes ought not to pay the same rates, and that therefore the tax should be reconstructed, they forget to inquire whether at the present moment realized and precarious incomes as represented by land

and houses on the one hand, and by trades on the other, do or do not pay the same rates. Let us, in the first place, see at what rate land and houses pay. Land pays in the gross 7d. in the pound upon an income not assessed by the possessors of the property, but by a standard independent of them; and this sum is paid without even the smallest deduction in respect of the difference between gross and net income. It is obvious that, in order to estimate how much land and houses really pay, we must deduct the whole of the difference between the gross and the net income. Nay, we must do more than this, because the owners of land and houses are not the only persons beneficially interested in this description of property; there remain behind a large body of mortgagors, encumbrancers, and life-renters, who, although they pay 7d. in the pound on their share of the proceeds of lands and houses, do not pay anything towards making up the difference between gross and net receipts.

In the estimate I am about to submit to the committee, I have been guided by inquiries which every member of it is as capable of making as I am. I can only say, that this estimate has been framed in a spirit of moderation, and tested, as well as the case admitted, by reference to persons most familiar with the subject. About 80,000,000*l.*, the gross income of land and houses, pay the tax. At 7d. in the pound, this gives, in round numbers, 2,333,000*l.* What are the deductions which ought to be allowed for the difference between gross and net income,—I will not say according to an arbitrary standard of equity—but if we should break up the present scheme and construct a new one, what should we be called on, and of course I must say, what should we in justice be compelled, to allow on this score? In Scotland, among the difference between gross and net income from lands, one class are known by the designation of “public burdens.” We have no analogous phrase in England; but we have heavy deductions, perhaps on the whole not less heavy than in Scotland, from gross rental. The first great item is the large charge for repairs, and under this head I include repairs of buildings, fences, and such drains as are not kept by the tenant. Repairs constitute a large charge upon land, but as regards houses it is still larger. You must allow for insurance; and also for law charges, without which it is impossible to conduct business connected with landed property and houses. You must allow—I will not say all the cost of management, but as much of it as you allow to a merchant under schedule D—you must allow for clerks, sub-agents, ground-bailiffs, offices, stationery, receipts, and so forth. You must allow for arrears of rent, and you must likewise allow for what are called abatements of rent, which are a real deduction from income. How much shall we allow under these heads? What is the gross deduction we must make from the income of 80,000,000*l.* supposed to be received by the owners of land and

houses? I take it at 16 per cent. I do not think this an unfair estimate; I am certain that it is, in some instances, a very low one. If 16 per cent. be a fair deduction, it is evident we should reduce the 80,000,000*l.*, subjected to a tax of 7*d.* in the pound by the sum of 12,800,000*l.*, which is actually expended before the income reaches the pocket of the owner; and, therefore, we have arrived at this point, that we have got instead of 80,000,000*l.* of income, only 67,200,000*l.*, and this reduced amount pays a tax amounting to 2,333,000*l.*

Then I come to another question upon which I must again resort to conjectural estimate. What is a fair estimate to make of the total amount of charges on land and houses, all over the kingdom, in respect not only of mortgages, but of settlements and all other arrangements of that kind? I estimate that one-fourth part of the gross income derived from land and houses goes into the pockets, not of persons beneficially interested in them, properly speaking, but into those of mortgagees, annuitants, and others who receive under settlements. If that be so, then it appears that the owners of land and houses do not receive 67,200,000*l.*; but from that sum you must deduct the fourth part of 80,000,000*l.*, which reduces their income to 47,200,000*l.* This sum of 47,200,000*l.* is, then, the net receipt of those beneficially interested in land and houses. But you will justly say that the encumbrancers, who receive the 20,000,000*l.*, pay the income-tax. Well, let us see what their quota amounts to. Sevenpence in the pound on 20,000,000*l.* gives 583,000*l.* Deduct this sum from the 2,333,000*l.* paid by the owners of land and houses, and the sum of 1,750,000*l.* will be left, and this is the amount actually paid on an income of 47,200,000*l.* Now if hon. members will take the trouble to apply the figures I have stated, they will find the result to be this—that the sum of ninepence in the pound on a net income of 47,200,000*l.* would amount to 1,732,500*l.*; and that, consequently, under the law as it now stands, the income derived from land and houses is taxed at the rate not of 7*d.* but 9*d.* in the pound. Then, what I want to know is this—supposing there be a *primâ facie* case for breaking up the income-tax on the ground of inequality between the two classes of payers—namely, the owners of land and houses and those engaged in trades, do you, on the whole, think that if a difference had to be made between the two classes, the difference ought to be greater than that which now exists? I do not raise the question whether there ought to be any difference whatever between the two classes, or whether the income of the year is not the just and proper object of a tax intended to provide for the services of the year; I pass that question by; but I show you that, according to a rational estimate, land at this moment pays 9*d.* and trade 7*d.* in the pound, and I ask any moderate man whether, if we were now about to establish a

different rate of payment between the two classes, he would think of making the difference greater than exists at this moment?

In December last, the right hon. gentleman opposite (Mr. Disraeli) proposed that realized income should pay a tax of  $7d.$ , and precarious income one of  $5\frac{1}{4}d.$  Now, if any one will have the kindness to compare my figures with the right hon. gentleman's proposal, it will be found that, within a small fraction of a farthing, the rates paid by the two classes of income are at present equivalent to  $7d.$  and  $5\frac{1}{4}d.$  If we break up the present income-tax it must be for some object. If that object be to relieve trade at the expense of land and houses, it is well that those who may be about to sanction that purpose should consider where they are to begin in fixing the proportions of the payments to be made by different classes, and where they are to end. If it be desired to settle the question according to the views which have impressed themselves on the minds of many moderate and intelligent men, according to the view taken by the right hon. gentleman opposite, and by my hon. friend the member for Wiltshire in the committee which sat upon this subject—namely, by making land pay about four, and precarious income about three, then I say that object is already accomplished, for the payments of the two classes bear that proportion to each other at this moment.

But let us go further in the consideration of this deeply-important question. It is commonly stated, that though we cannot do justice to each individual, we may do justice as between classes; and that for this purpose we must take an average of each class within itself. Now, I question the doctrine of those who propose to do justice between the various kinds of income by establishing averages for each class within itself. This is not the course advocated by the hon. member for Montrose. The hon. member is always consistent, and always manful; when he sees a difficulty in his path he takes no pains to get out of the way. His instinctive sense of fairness and scorn of artifice leads him, in his attempts to reform the income-tax, into difficulties which a man acting as a tactician would avoid. He says, fairly appraise the property or income of each individual. But the common notion is, that incomes should be classed in averages. In the name of reason and common-sense, I ask how those who demand either equality, or an approach to it, can obtain it by averaging classes of income? Look at annuities. The tables give the value of female life at 15 years of age at 25 years' purchase; but go upwards to 70 or 75 years of age, and the value of the life is only five years' purchase: yet you propose to average, forsooth, these dissimilar cases—to bring up the value of five years' purchase and bring down the value of the 25 years' purchase to a common standard.



What possible average can these interests admit of? A life of 25 years' purchase is five times the value of one of five years' purchase. Will it be any consolation to the life of five years' purchase, when called on to pay three times as much as he ought on the principles of the reformers of the tax to pay, that the life of 25 years' purchase pays only half as much as he should do? Still more absurd would be the attempt to average trades. Many trades are worth 25 years' purchase. I venture to say, that if the matter be closely investigated, it will be found that many trades are better, on the whole, than perpetuities, and for this reason, that trade affords opportunities for providing for children and relations such as no other pursuit presents. Let us, however, state the case moderately, and say that some trades are worth 25 years' purchase; there are others not worth more than five, four, or three years' purchase, and how are you to average the interest of a trade worth three and another worth 25 years' purchase? I must enter my protest against this averaging of classes as a mode of what is called doing justice in the matter of the income-tax.

There is another topic of a somewhat painful nature connected with this branch of the subject, to which I must briefly allude. We have seen that land pays 7*d.* in the pound, according to a standard of value which does not depend on the will or testimony of its owner. Trade, on the other hand, pays 7*d.* in the pound, and this poundage assessed by each trader on himself. I have no doubt that, in the majority of instances, the returns of our traders are fairly and honourably made. There are many cases, in trade, in which it is a matter of extreme difficulty to know what return to make, what really is chargeable as profit; and I believe that in not unfrequent cases the doubt is solved by the honourable trader against himself, and that he returns his profits greater than they really are. Let it not be supposed that I am going to impute to the trading classes of England generally the conduct which is pursued by some individuals. I am going to state an extreme case. It is an example, not of what has been generally done, but of what can be and has occasionally been done upon the scale I am going to show, and of what I fear on a smaller scale is often done. I will mention no names—I will violate no confidence—but I will state what happened in a great town where a new street was to be built. The persons who lived and carried on business in the old street, which was pulled down to make way for the new one, had been charged at a certain amount to the income-tax. They had also, of course, made returns at a certain amount under the income-tax. When the new street came to be built, they claimed compensation for the loss of their business. The amount had to be assessed by a jury. Without wearying the Committee with details, I will state the amount of compensation which these

persons—in number 28—claimed; the amount awarded them by the jury, which may be taken as, on the whole, an approximation to the real value; and the amount at which they returned their profits under the income-tax. Were I to descend to individual cases, it would be almost impossible adequately to describe the partly ludicrous and partly shameful aspect which they assume. I will therefore deal with the matter generally, and say that 28 persons in all claimed the sum of 48,159*l.* as compensation for their profits for a single year. The amount of compensation awarded by the jury was 26,973*l.*, or a little more than half what was claimed. But what was the amount at which they had returned their profits for assessment to the income-tax? They claimed 48,000*l.*; they got from the jury nearly 27,000*l.*; but the return of profits for assessment to the income tax which they separately made had amounted only to 9000*l.*

I deeply regret that the great body of honourable men who have made the name of British commerce famous throughout the earth, less even for its energy than for its truthfulness, should be degraded by association with persons who could perpetrate frauds like these. But at the same time frauds of this kind, and in many other cases, do exist; they are inseparable from the character of the impost, human nature remaining as it is; and it is impossible, when you are called upon to consider the question of the re-adjustment of the tax, wholly to dismiss them from consideration.

Now, sir, I leave this part of the question with the proposition—which I think will hardly be controverted—that as regards the state of the case between land and trade, reserving other cases for separate consideration, there is no sufficient ground to attempt the reconstruction of the income-tax.

I have three other cases still to consider; and first I will take the case of schedule E, which contains the payments that are derived from the incomes of the salaried servants of the public. I think that no class of persons is included in schedule E, with the exception of persons connected with the Bank of England, who may not be called, in one sense or another, public servants. Some of them may be servants of local or separate authorities, as for instance of the East India Company, but they are, I think, all public servants, and they are generally servants of Her Majesty's Government.

With respect to the case of these public salaries, I think it is scarcely possible to distinguish between such incomes and life incomes. As they are usually held almost for life, with retirements in prospect, their durability is little inferior to that of life incomes; and their inferiority, in respect of durability, is upon the whole compensated by this,—that they are usually progressive incomes, while life incomes are usually fixed. It is impossible, I think, for any dispassionate man, under these circum-

stances, to draw a distinction between the case of salaries and that of life incomes, for the purpose of the income-tax. With regard to remissions upon salaries, the case seems to be argued rather high both ways. At present there is a movement among the civil servants of the Crown for a change in regard to their superannuation funds, which would amount to an increase of salary. The tide has but lately turned; for it is not very long since the right hon. member for Oxfordshire (Mr. Henley) made a motion in this house—and, unless I am much mistaken, he all but carried it—for reducing salaries of this description wholesale by no less than ten per cent. If the right hon. gentleman thinks that such salaries ought to be reduced by ten per cent., I would suggest that it would be better to reduce them by a little less than ten per cent. rather than break up the income-tax on this account; in any case I think I shall carry general assent when I say it would be much better to deal with public salaries, if they are to be dealt with, by a separate arrangement, than to make them the occasion of an attempt to perform an operation on the income-tax, which, up to this time, all those who have been responsible for our finances—if we except the right honourable gentleman opposite—have unanimously declared to be impossible and absurd.

Now, sir, I come to what is supposed to be the sore place of the income-tax—schedule C; and when the committee have heard what I have to say, I will fearlessly appeal to their love of justice, and put it to them whether schedule C, even if it stood alone, is not rather a reason why they should not break up the income-tax than why they should do so. I know this is a bold challenge; but wait and see whether I will not make good my position. In the first instance, I will read to the committee a testimony that has come from across the Atlantic, simply in order to impress upon them the conviction that when we approach schedule C we begin to tread upon very delicate ground. We wrote to the United States to ascertain what was done in that country, where taxes of this nature are levied, with respect to the public stocks or funds, and I have here a short letter, signed by Mr. Everett, dated “Department of State, Washington, 10th of February, 1853,” in which he says:—

“Sir,—I have the honour to acknowledge the receipt of your note of the 9th inst., inquiring, by direction of Her Majesty’s principal Secretary of State for Foreign Affairs, whether the public debt of the United States is subject to property or income-tax in the hands of those who hold the stock, and also whether, in the acts authorizing the contracting of the debts, any provision was made, exempting them from taxation.

“In reply, I have the honour to inform you, that there is nothing in the constitution of the United States, or in the laws creating the public debt, which prohibits this Government from

levying a tax on that debt; the Governments of the respective States, however, can levy no such tax, as this would be an act impairing the obligation of a contract, which is expressly forbidden by the federal constitution."

It appears to me, upon a fair review of the case, that we must set out with this doctrine admitted on all hands—that we are bound to give some rational construction to those words in the loan acts which provide that the public dividends shall be paid free of all taxes and charges whatsoever. I think we are bound to give them a rational construction. Mr. Pitt thought the rational construction to give to them was, that you should not look at all to the nature of the source, but that you should consider the dividends simply in relation to the receiver as so much income. I am bound to say that I think Mr. Pitt's construction of the pledge was the safest and the wisest. It has, at any rate, been acted upon for more than 50 years, and under it the great bulk of the public debt has either been borrowed or reborrowed. I do not mean now to dwell upon the difficulties you might have in the case of these acts in proceeding at this time to impose a new construction of the contract, after a former one has so long prevailed; but what I do beg you to acknowledge is, that there is only one other construction, in any sense rational, that could be given to the words in the loan acts, and it is this—that we are entitled to look, if we choose, not at the mere amount of annual income, but at the durability of the income, as tested by the price of the income when it is sold. I will suppose, then, the proposition now is, that we should reconstruct the income-tax, in order that we may levy the tax upon something like what is called the capitalized value of the income.

Considering the circumstances under which the income-tax was first imposed, and the circumstances under which that change is now suggested, I never can believe that it would be adopted by a British Parliament. Observe not only the effect which it would have upon the interest of the fundholders, but above all the light in which it exhibits the dealings of the State with them. When Mr. Pitt imposed the income-tax he said to those persons, "We have nothing to do with capitalized value or with price in the market; we can look to nothing but what you receive from year to year." At that time, when the fundholder was taxed upon his income from year to year, what was the capitalized value of his income? About sixteen years' purchase. That was not far from the average capitalized value of the fundholders' income for 17 years of the income-tax, until the conclusion of peace. Suppose your new doctrines had been in vogue then, the fundholder would have paid only one-half of what he did pay; and shall I be told that, after adopting a construction most unfavourable at the moment to the fundholder, and after taxing him, and taxing him too at the rate of

ten per cent. on the full value of his income for 17 years, when he could only have got 16 years' purchase for his property in the market, England and the English Parliament will now turn round upon that man, in the manner suggested, when, owing mainly to the general confidence in your strict good faith towards the public creditor, the value of his property has risen to 33 years' purchase? If you now determine that the capitalized value of the fundholder's income ought to be taxed, I say that you inflicted the grossest wrong upon him in time of war. When he then consented to pay 10 per cent. upon the value of his income, he had confidence that peace would be restored, that his income would become more valuable, that faith would be observed with him—I mean faith according to the common principles of equity and justice—and that no advantage would be taken of that rise in value. But if the British Parliament sets the example of establishing in time of war, when funds are low, the doctrine that you have nothing to do with capitalized income, and then in time of peace, when the funds are high, sets up the opposite doctrine, I will not merely say that the character of this nation will not stand as in the time of your fathers it has stood, but I warn you that you must abandon from henceforth the idea of taking the lead among all the borrowers of the world, and that you must prepare for a vital change in your relations with those who have hitherto trusted you.

There are persons who say, "We ought to tax incomes at different rates, accordingly as they proceed from property or from skill." In fact, they would place industrious incomes on the one side, and lazy incomes on the other. Now, in my opinion, a great deal may be said in favour of that doctrine, but observe the effect it must have with regard to the public creditor. The landholder must exert himself with respect to his land, the householder as to his house, and the mortgagee must either look out himself, or pay his lawyer for looking out to ascertain the safety of the investment proposed for his money; and I do not believe there is any income which is perfectly and entirely a lazy income, except the income of the fundholder.

If that were so, the fundholder would enjoy an entire pre-eminence in taxation, and the degree of that pre-eminence it would rest with you to fix. I honour the sense of justice of my hon. friend the member for Montrose, and so I honour the sense of justice of those gentlemen—the actuaries—who have recommended the fundamental re-construction of this tax, and who do fairly adopt and abide by the durability of incomes. If they had made their proposals in 1798, I do not know that the fundholders would have had much reason to complain; but, on the contrary, I believe that, upon the whole, they would have been gainers. I think, however, that the proposal of the actuaries is unsound in

principle. I conceive that it is unsound in principle to levy the revenue of the country in substance by a tax upon its property, for I think that income is, in the main, the proper basis of taxation. I do not mean, however, to push that doctrine to extremes: and I undoubtedly should say, if we have a property-tax at all in substitution for the income-tax let us have a good and honest property-tax, such as the actuaries propose. Unfortunately, these gentlemen have the plan which they recommend entirely to themselves, for no one has ever been found to propose it in this house, or, as far as I know, elsewhere. In fact, nobody will propose that plan, for every one knows it is a mathematical speculation upon paper; but not a project to be submitted to an assembly of men whose bounden duty it is to provide by practicable means for the constantly recurring wants and services of the country.

The project of the actuaries, then, I pass by, because, while it is of all the plans of income-tax reform the most self-consistent, it is also, I will not say the most impossible, (for that would be a solecism) but it is placed the furthest beyond the reach even of imagination as a possible measure.

Now, I will request the committee to go yet further with me into the consideration of one more point with regard to the funds, which I take to be highly practical in its character, and which I beg to commend to their particular attention. I have used every means in my power to analyze the manner in which the funds are held. It is, however, a matter of great difficulty. In old times there was a very general belief in the appearances of hobgoblins, and now throughout the country you may here and there find those who have a somewhat analogous conception of an awful being they call the fundholder, whom they picture to their imaginations as an iron-hearted creature, rolling in wealth, and living in worthless indolence upon the toil and sweat of his countrymen, but it is very difficult to find out whether the existence of this monster is a fact or a fiction.

I cannot obtain a complete analysis of the manner in which the funds are held. The State, as we know, has no information upon the subject. The Bank of England, which pays the dividends, knows only one circumstance, and that is, whether the dividend is paid to a joint account or a sole account. Now, a very remarkable change has been taking place of late years in the manner in which the funds are held. About fifteen years ago the funds were chiefly held in sole accounts by individuals, and I think you may, upon the whole, take it nearly for granted that the sole accounts indicate—but I speak in the presence of practical authorities, who can correct me if I mislead you—absolute property, with some few exceptions. So lately, then, as fifteen years ago, much more than one-half of the stocks were held in sole accounts, and therefore represented absolute property; but mark

the change that has taken place. At present the case is reversed. The whole amount of stock held in sole accounts is at the present moment 280,000,000*l.*, and out of that about 60,000,000*l.* represents the incomes of persons who are exempt from the income-tax by reason of their incomes being under 150*l.* a-year. There is, therefore, a sum of about 220,000,000*l.* held by persons who may be considered as holding perpetuities in the funds, and whom the reformers of the income-tax would regard as entitled to the distinction of pre-eminent taxation under that tax. Now, the amount held in joint accounts was, in February, 1852, 427,000,000*l.*, and I have no doubt that it is at this time much more. One-third of the funds, upon the whole, are held in sole accounts, and two-thirds in joint accounts.

Now, what do these joint accounts mean? I will tell you very nearly what they mean. These joint accounts may be divided, I believe, into five classes, one or other of which may be taken as comprehending very nearly the whole. In the first place, the joint accounts include a large class of charities, and among them I reckon the great account of the Commissioners of the National Debt for savings-banks, amounting to 33,000,000*l.* These sums are all by law exempt from income-tax. Then, in the second place, we have the Chancery and Bankruptcy accounts, amounting to between 50,000,000*l.* and 60,000,000*l.* I don't imagine that it is the desire of this committee, or of the reformers of the income-tax, to lay upon the monies locked up in Chancery and Bankruptcy an exceptional tax. A third class which enters into the joint accounts is made up of those cases in which English firms—particularly banking firms, but other firms also—hold large sums of money on account of foreigners. I imagine that, although Englishmen who have investments in the funds more commonly hold them in their own names, it is very common for foreigners to have stock held in the names of their banking or mercantile correspondents.

It has been a popular doctrine to tax the foreigner, but I think that no person in this house would wish to tax the foreigner in this particular form. It has been a long-contested question with respect to income-tax in England, whether the foreigner is not entitled to exemption altogether. The late Sir R. Peel subjected him to equal taxation in 1842, but even that proposal was strongly resisted, and I think every member of this House will agree that it would be very impolitic to lay an exceptional tax of this kind upon the foreigner.

The fourth class interested in joint accounts, and a very large class too, is the class indicated by life interests less than perpetuity. When Mr. Horsman made a proposal with reference to the income-tax in 1848, one of his main arguments was founded on the absurdity of taxing life interests at the same rate at which perpetuities are taxed. Of late the income-tax reformers have

had much less compassion for the life-interest men, and few of them have seemed to regard their case at all. My opinion is, that if the income-tax were reconstructed it would be very difficult to shut out the class having life interests from the benefit of a reduced rate if you introduce the distinction of rate; but surely it would be intolerable to raise the tax upon the funds as far as regards that large portion of holders who have a mere life interest.

The fifth class interested in joint accounts consists of trading companies and associations holding funded property. Now, are you to lay an exceptional tax upon the capital of persons so engaged in trade? I should say that it is very much better to leave English trade where it is, paying 7*d.* in the pound, in the place of the 9*d.* paid by land and houses, and with the power of investing money in the funds when it is convenient for purposes of banking, or for other trades, without the fear of exceptional taxation, than to break up the whole system, and sconce the trader in schedule C, that you may reimburse him by exceptions in schedule D. Thus then, sir, the strongest case urged for the reconstruction of the tax is the case of schedule C; but in schedule C, against 220,000,000*l.* held by persons in their own right, you have 430,000,000*l.* not held by persons in their own right as mere individual property, and when you have established your exceptional tax against the funds, your very next step must be to exempt the whole of this 430,000,000*l.* Well, sir, that is the sum of what I have to say upon schedule C.

I shall now touch very briefly upon the remaining case of schedule D—that is to say, of schedule D as respects the professions. I have made it my business, sir, to ascertain what proportion of the whole payment under schedule D proceeds from professional persons, and I have found that, including certain amphibious classes, it is about 300,000*l.*, or rather more than one-twentieth part of the whole income-tax; but there are several persons who are returned as professional persons who, for the purpose of a new classification of the income-tax, must be considered as traders, such as auctioneers, house-agents, and army-agents. The country surgeon frequently combines with his profession the trade and capital of a druggist and apothecary. Solicitors, again, in many places, are, to no small extent, considerable capitalists; their capital is invested in their trade, and the income-tax must be paid upon it as it would upon capital invested in any other trade. Taking these mixed cases out, the net sum that may be said to be paid by the professions is about 250,000*l.*, which is about one-twenty-second part of the whole income-tax.

I do not at all deny that the case of professional men appeals to our sympathies. In my opinion, it is one of the reasons which indicates that the tax ought to be a temporary tax; but I



hope the committee will pause before it rushes to the conclusion that upon account of the case of professional men—for I think I have in some degree disposed of the other cases—they will proceed to such a labour,—I will not call it an Herculean labour, because an Herculean labour means a labour that Hercules could accomplish, and this I am persuaded he could not;—but to such a labour as that of breaking up and reconstructing the income-tax.

It would be a pity to find yourselves compelled to break up the income-tax on account of those whose case is so limited in comparison to the whole range of the tax that they only pay one-twenty-second part of the amount. But then you may say, “Why not exempt them altogether; if they form so limited a part of the whole body of tax-payers, why not give them a favour?” And there is a great deal in point of feeling to recommend that course; but there is a great deal in point of feeling to recommend many things in this world of ours, upon examination of which you find insuperable obstacles in the way of your giving scope to that feeling.

I will tell you why you cannot exempt professional incomes without breaking up the scheme of the tax. In the first place, there are the auctioneers, house-agents, farm-agents, and others I have referred to, now nestling within the class of the professions, and whom you would have to dislodge from that class, but with each of whom there would be considerable difficulty if there were an attempt to exclude them from benefits to which persons in the position of professional men were to be entitled.

Again, you would have great difficulty in knowing what to do with the clergy. Your feeling would tend with equal force both ways. You would think it extremely offensive to re-construct the income-tax on behalf of professional men, and yet to make the clergyman with 150*l.* or 200*l.* a-year pay the higher rate. But if you let him into the favoured category, I am not so sure that you would be pleased to extend the same favour to the dean and the bishop. You would find extreme difficulty there; but there are other and more serious difficulties than these.

Many persons holding salaried offices—not public servants—now charged in schedule D, have certainly a much worse tenure and an inferior interest in their incomes than professional men. Above all, there is what I warned you of in respect to averaging the supposed value of the income of classes. A large class of retail traders have an interest in their trades much inferior to that of professional men. Their shops, and trades, and businesses change hands much quicker. They are creatures of to-day, gone to-morrow; and professional men as a class, putting aside the exceptional case of sickness, are permanence itself compared with a certain and a very numerous portion of the smaller class of traders.

I must warn the committee, likewise, that they will find the greatest difficulty when they come to consider, in the midst of this process of breaking up the income-tax, the case of the life annuitants. Let me for a moment put it to you who these people are. Professional persons, at all events, are men, are beings charged by the Almighty with the care of wives and children, and, generally, endowed with a capacity to discharge that duty. But when you come to life annuitants, you then deal with the desolate widow, with the orphan daughter; with defenceless woman, whose right it is to expect at your hands justice, tenderness, and protection. Are their incomes precarious, or are they not? I will take some lady who has been bred in the lap of luxury, and who then upon the death of her parent, finds herself with the interest of 5000*l.* or 6000*l.* to live upon for the remainder of her days. I want to know whether that income is or is not to be subjected to the higher tax as an income from realized property? And will you then tell me that upon the daughter and the widow you will lay that exceptional tax, and yet talk of doing justice, because you put the higher tax upon her in order that you may put the lower tax upon your bankers and brewers, and upon your physicians and lawyers? I make my appeal to you as men upon this point. I am convinced, whether the views of the present Government be right or wrong, whether our propositions meet your approbation or whether they do not, that you never will consent to draw that distinction in favour of the great and energetic commerce of this country, and against the pittance on which the great portion of these women must subsist.

Sir, the unparalleled indulgence of the committee has brought me nearly to the close of this portion of the subject, and there is but one more point in connexion with it to which I need refer. It is commonly supposed that it is either some crotchet of an individual, or the general laziness and inattention of official persons to their duties, that prevents them giving effect to the wishes which many gentlemen laudably entertain, to see these inequalities of the income-tax, which I do not deny, removed by a reconstruction. But I will point out the kind of difficulty in which you find yourselves involved when you set about that work; for I can truly and fairly say,—and I think if I do not command credit for it as an individual, yet that the characters of my colleagues will demand full credit for them,—I can truly and fairly say, that it has been our most earnest desire, if we could with justice have attained that object, to consult the public feeling in regard to the proposition which we might have to make about the income-tax.

We have, therefore, studiously and laboriously turned over the question again and again, and have put it, I believe, in every light in which it is capable of being viewed. And now I will

just give you a specimen of the way in which, when you set about a reconstruction of this tax, you find yourselves involved. I will suppose that, if the income-tax be differentiated, you will extend the favour to what are called the terminable annuities. The terminable annuities expire in 1860, and they have always been thought to afford the most favourable case—the case commonly selected for argument by way of illustration—for those who wish to break up the income-tax. Of course, they will get the benefit of it. They are worth so many years' purchase, and no more, and you can tell exactly how much of the annuity in each case represents interest, and how much capital. You commence, then, by exempting the terminable annuitants. Is that all? By no means. What do you do with Government life annuitants? Must you not exempt them also? Is not their case substantially the same with the others? A man lays out money on an annuity for his life. Although the term of his life is uncertain, such an annuity has just as fixed a price in London as an annuity of the expiry of which you fix the date. On the same principle, therefore, you must exempt the Government life annuitants, as you have done to the terminable annuitants. But, if you do that, you cannot think of anything so monstrous as taxing interests for life, or for a term perhaps less than life upon leasehold properties. How will you be able to tax a man who has, suppose, a lease on which he has paid a heavy fine, and of which there is a term of five or ten years unexpired? The great bulk of the interest in the property is not his, but the landlord's, the reversioner's, and you must evidently give to the holder of such a lease, therefore, a share of the proposed exemption. Then I must again remind you of the class holding life interests in the funds. You can't draw a distinction between life interests in the funds and life interests in leaseholds. They must help to swell the goodly company of exemptions. After them come those who hold jointures and other annuities upon land. Certainly, a life annuity in the funds is one thing, and a life annuity upon land is another; but the life interest of the individual is alike in both cases. When you have got those in, what do you do with life renters, with the possessors of entailed estates, to which the successor may be a second cousin, living in the East Indies, whom his predecessor may never have seen, and in whom he has no interest? This may, I fear, be tedious to the committee, but these are practical questions. They are a small sample of the practical questions, all of which must be faced, if we are to reform the income-tax. I do not say that there are no distinctions between these different parties. There are distinctions between each of them. But what I say is this, that when you come to define those distinctions, and to try to make them the broad ground upon which you take your stand, and say, "Here you will be exempt—there you

will pay the exceptional tax," there is not one of the classes I have mentioned with respect to which you will find it possible to fix it as the limit of the intended operation.

The real tendency of all these exemptions, however, is the breaking up and destruction of the tax. I do not say the "relinquishment," because relinquishment is one thing, and breaking up is another. Relinquish it for a time, and when emergencies arrive you may do as your fathers did—take down the weapon from the shelf, and make it serve you again for the ends of honour and of duty. To relinquish it is altogether safe, because it is altogether honourable. But to break it up is to encourage the House of Commons to venture upon schemes which may look well on paper, and may serve the purpose of the moment, but which will end in the destruction of the tax by the absurdities and by the iniquities which they involve. Sir, if that is to be done it must be done by those whose consciences enable them to take a different view from ours of the character and of the destiny of this great country. It will not be done by us, by men who believe, that although you may enter upon that fatal and seductive path, it will lead you into quagmire, will throw the whole finance of the empire into confusion, and will deprive you of that ready and effective resource to which hitherto you have been able in all times to look as an effectual resort open to you in circumstances of difficulty and trouble.

Sir, the general views of Her Majesty's Government with respect to the income-tax are, that it is an engine of gigantic power for great national purposes, but at the same time that there are circumstances attending its operation which make it difficult, perhaps impossible, at any rate, in our opinion not desirable, to maintain it as a portion of the permanent and ordinary finances of the country. The public feeling of its inequality is a fact most important in itself. The inquisition it entails is a most serious disadvantage. And the frauds to which it leads are an evil which it is not possible to characterize in terms too strong.

One thing I hope this House will never do, and that is, nibble at this great public question. Don't let them adopt the plan of reconstructing the income-tax to-day, and saying, "If that does not work well, we'll try our hands at it again to-morrow." That is not the way in which the relations of classes brought into the nicest competition one with another under a scheme of direct taxation, are to be treated. Depend upon it, when you come to close quarters with this subject, when you come to measure and test the respective relations of intelligence and labour and property in all their myriad and complex forms, and when you come to represent those relations in arithmetical results, you are undertaking an operation of which I should say it was beyond the power of man to conduct it with satisfaction, but at any rate, it is

an operation to which you ought not constantly to recur ; for if, as my noble friend once said, with universal applause, this country cannot bear a revolution once a-year, I will venture to say that it cannot bear a reconstruction of the income tax once a-year.

Whatever you do in regard to the income-tax, you must be bold, you must be intelligible, you must be decisive. You must not palter with it. If you do, I have striven at least to point out as well as my feeble powers will permit, the almost desecration I would say, certainly the gross breach of duty to your country, of which you will be guilty, in thus putting to hazard one of the most potent and effective among all its material resources. I believe it to be of vital importance, whether you keep this tax or whether you part with it, that you either should keep it or should leave it in a state in which it will be fit for service on an emergency, and that it will be impossible to do if you break up the basis of your income-tax.

Then you will ask me, "On what principle do you mean to proceed?—you have made an argument, so far as you have gone, to show that the tax cannot be reconstructed and cannot be amended; what will you do with it?"

What we wish to do, and what we shall aim at doing by the measure which I shall propose, is this:—We wish, in the first place, to put an end to the uncertainty respecting the income-tax. We think it unfortunate that political circumstances have for the last two or three years led to a state of doubt in regard to the continuance of the tax, and have even begotten by degrees a feeling on the part of the public that the country is about to be entrapped unawares into its perpetuation. My belief is, that much of the uneasy feeling that prevails is traceable to that source, and I am very far from thinking that our merely asking of the committee to renew this tax for a given term, in lieu of asking you to make it perpetual, would be sufficient to allay that anxiety or to remove that doubt.

There is a certain class of transactions with regard to which the uncertainty about the income-tax operates most unfavourably—such as the terminable annuities, for example. It is very desirable that certainty should be restored on account of these transactions, and also on grounds more enlarged and general.

I think it also most desirable that effectual measures should be taken to mark this tax as a temporary tax. By this I do not mean merely, or chiefly, that I would commit the Government to an abstract opinion to be acted upon in future years. My own opinion is decidedly against the perpetuity of the tax as a permanent ordinary portion of our finances. But while I state the wish of the Government to propose it as a temporary tax, I do not ask you to rely on their words to bind them or yourselves, irrespectively of what may occur in the interim, as to what you

will do under all circumstances at the expiration of the term which we propose to fix for its continuance now. I propose by positive enactment, by the measures which I shall invite you to adopt, to lay the ground for placing Parliament in such a position that at a given period it may, if it think fit, part with that tax.

Besides fixing on the tax a temporary character, we are most anxious to do what can be done, in order to meet the public feeling as to the inequality of the tax. For that public feeling we have not only respect, but sympathy, while we do not admit that it is our duty, as persons charged with the conduct of public affairs, to shape our measures according to any feeling or sentiment whatever, until we have examined the practical form which they are to take, and tried it by the light of our understanding. We propose, sir, to introduce certain mitigations into the operation of the income-tax. We propose to extend the principle of commutations, which is now applicable only to trades, to professions also. A more important mitigation which we propose to make is this:—There is a general feeling that a man ought to have, at any rate, the opportunity of investing the savings he may make from his income without being liable to the income-tax upon them. We do not think it possible to make provisions of that kind applicable to savings simply as such. All we can do is to say, “If you choose to invest your savings in the form of a deferred annuity or a life assurance, the premium which you may pay upon that deferred annuity or life assurance up to one-seventh of your income shall not be chargeable to your income-tax, but may be deducted from your income-tax before it is charged.” I am not at all prepared to say that we would stop at that point if it were possible to do more. At the same time, this plan has considerable recommendations. I do not say that it will completely meet the case of persons who, being afflicted with sickness, cannot, except under peculiar circumstances, insure their lives, because, unfortunately, cases of that sort it is beyond the power of the legislature to meet. But what I do say is this—that it is a relief which will admit of very extensive application. I cannot reckon that the reduction from the receipts of the tax in consequence of it will be less—though, of course, this is a matter of uncertainty—when we look to the total amount of life assurance in this country, than 120,000*l.* a-year. It establishes, however, no invidious distinctions between one class and another. It is open to all those who choose to avail themselves of it; but while it is open to them all, we know that practically the classes who are in the habit of insuring their lives are just those very classes whom it is your main object to relieve by the reconstruction of the tax—namely, the classes of professional men and of persons who are dependent upon their own exertions.

I think it will be necessary, in conjunction with the proposal I have just named, to propose that Government should itself

become insurers of life. If it is to undertake that charge, as will probably be the case, it will insure lives on the same principles as those on which it is now a vendor of life annuities.

But while I say that our object is to meet the public feeling as to the inequality of the tax, and while I specify these modes of going some way to effect that object, I have more to lay before you upon this subject. And pray understand me. Do not let me through my neglect be misapprehended, or fail to state clearly the position of the Government. What we understand to be the sentiment of the country, and what we ourselves, as a matter of feeling, are disposed to defer to, and to share in, is, that the income-tax bears upon the whole too hard upon intelligence and skill, and not hard enough upon property as compared with intelligence and skill. This, I say, is the sentiment which, with whatever varieties of form has been expressed through various organs, and has awakened an echo in the public mind. I hope that I here state with accuracy, not as yet the precise measures that we propose, but the object which the reconstructors of the income-tax have in view. Well, if that be their object—if they think that at present skill and intelligence are too severely pressed, and that property under the income-tax pays too little, let me remind them that they must not form their judgment of the condition of classes from one single tax or from another single tax, but that they must look to the general effect of the whole system of taxation. And all I implore of them in that respect at this moment is, that they will reserve their decision upon the question whether the Government proposition sufficiently meets the case of skill and intelligence as compared with property until they have heard me throughout, if their kindness will permit them still to extend to me their patience.

Our proposition, then, in regard to the income-tax is this:—We propose to renew it for two years from April, 1853, at the rate of 7*d.* in the pound. The committee will recollect that I said we thought it our duty to look the whole breadth of this difficulty in the face—not to endeavour to escape it, not to endeavour to attenuate, or to understate it, but to face and to settle, if the committee would enable us, the whole question of the income-tax. We propose, then, to re-enact it for two years, from April, 1853, to April, 1855, at the rate of 7*d.* in the pound. From April, 1855, to enact it for two more years at 6*d.* in the pound; and then, for three more years—I cannot wonder at the smile which I perceive that my words provoke—for three more years—from April, 1857, at 5*d.* Under this proposal, on the 5th of April, 1860, the income-tax will expire.

Sir, we think it far better—far more in accordance with our own obligations, and far more likely to advance the interests of the country—that we should present to you what we think—and I will tell you why we think so by and by—a real substantive plan,

under which the income-tax may, if Parliament should think fit, be got rid of, than that we should come to you with some paltry proposal to shirk the difficulty by re-enacting it for two years, or re-enacting it for one year, and thereby prolonging the public uncertainty and dissatisfaction, and giving rise not only to doubts as to the position of the tax, but even as to the perfect good faith of Parliament in its mode of dealing with the country. Now, sir, we think that the descending rates which we have embodied in the proposal for the renewal of the tax will tend to show to Parliament and to the country that our intention to part with it, or, at all events, our intention to put Parliament in 1860 in a condition to part with it, is a real and a *bonâ fide* intention.

But you will say—and say justly—that that intention does not of itself put Parliament in a condition to part with the tax,—that it is very well to say that it shall, for two years, remain at 7*d.* in the pound,—that for two years more it shall be 6*d.*, and for three years more 5*d.*; but that when it comes to 5*d.* you may find that there is still a deficiency, and that you again want the 7*d.*, or that when you come to the end of the period with the rate of 5*d.* in the pound, you may find you cannot part with it. With respect to this objection I have to say, that before the close of my present statement I shall endeavour to give you full satisfaction on that point; and I will further venture to say that, whatever you may think of the plan I have to propose, no gentleman in the committee shall leave his place to-night with the opinion that the Government are paltering with the House of Commons, or that I am not presenting a proposal which is at any rate substantive and intelligible.

I say, sir, that our principles, with respect to the income-tax (which is the corner-stone of our whole financial plan)—our principles with respect to the income-tax required of us these things:—In the first place, to mark it effectually as a temporary tax; in the second place, to meet, in a way which we think good and effectual, the public feeling with respect to the inequality of the tax; and I will very shortly explain how we mean to attain this end. But, beyond this, I wish to ask—and this is the important question to which I seek to draw the attention of Parliament—if you determine to renew the income-tax, will you make its early extinction your first and sole object, or will you, in order to bring to completion the noble work of commercial reform which is so far advanced, once more associate the income-tax with a remission of duties, extensive in itself and beneficial to the community? We have considered fully these two alternatives; and we have decided deliberately in favour of the second.

While we propose to renew the income-tax, we propose to associate it during the years which it has still to run with a great



and beneficial remission of taxes. But the statement which I have already made with respect to the surplus is one not altogether promising in this respect. He would be an ingenious minister of finance who should found an extensive remission of taxation on a surplus of 800,000*l.*, 200,000*l.* or 300,000*l.* of which he regards as accidental or uncertain. If we are to propose a remission of taxes, we must have funds out of which to make the remission. This is, of course, an elementary truth, but I am sorry to say that it is not wholly needless to impress it upon the House.

We have, therefore, to consider—and this, sir, is the most invidious of all the portions of my task, upon which I am now about to enter—we have now to consider what are the means open to us, in consistency with justice, for creating a fund which, in conjunction with our present surplus, we can apply to an extensive and beneficial remission of taxes.

Now, the first question which is raised is this—if the income-tax is to be continued, shall it also be extended? And the view of the Government is this—that the late Administration were right in stating that, if the income-tax was to be continued, the exemptions under it should be narrowly considered; and therefore we are prepared to deal with the question of these exemptions.

What, in the first place, let me ask, is the case of persons enjoying incomes immediately below 150*l.* per annum? There may be those who say that it is dangerous to attempt to levy the income-tax on incomes below 150*l.*; but it is my opinion that the safety of that measure depends in a great degree—I may say mainly—on its justice; and if you can show that it is required by justice to other classes, and that it would be advantageous to the country, and even to the parties themselves who would be immediately affected by it, I am not afraid, with the confidence I entertain in the character of the English people, that there would be any danger attaching to such a measure. There were apprehensions, we know, entertained in 1842 that the imposition of the income-tax in any shape would be found unpopular; but the sense of justice and enlightened prudence of the people, appreciating as they did the great benefit achieved by its instrumentality, divested it, if not of the unpopularity, certainly of the odious character which it was thought might generally have attached to it.

Well, now, what is the case of persons enjoying incomes below 150*l.*? It is well known that persons of that class have very largely benefited by the measures consequent on the income-tax up to the present time. Twelve millions of taxes have been remitted, and they have enjoyed their full share of this, without the charge of one farthing. I don't propose that we should carry the tax down to the regions where it would trench on labour.

To my view it is a right and expedient principle—taking it in connexion with all the circumstances of the case—that we should not trench upon what I would call the territory of labour. That territory will probably be defined sufficiently for my purpose by the figure of 100*l.* a-year; and what I am saying now has reference to the case of incomes between 100*l.* and 150*l.* Their case is, that they have enjoyed up to the present time the full benefit of the remission of the 12,000,000*l.* of taxes to which I have referred. But that is not all. If we were going to continue the income-tax for a short period without any compensating advantage, then, indeed, it might not be expedient that I should ask you to extend it to a lower amount than at present; but I am going, before I conclude, to ask you to support the Government in enacting a great and beneficial remission of taxes; and I say, before you confer that great additional benefit, let us consider how far the results of our plan can be distributed equitably among the various classes of the community.

I will present to the committee what I think they will consider some interesting results with respect to the past operation of our recent legislative remissions. With a view to the decision of the question which I am now opening, it appeared to me a matter of extreme interest to collect a number of *bonâ fide* cases of the distribution of the expenditure of particular families receiving different rates of income, marking the proportion in which they had each profited by the adoption of the income-tax, and the measures connected with it. My right hon. friend, the head of the Poor-law Board (Mr. Baines), kindly lent me his able and effective aid, and I have thus been enabled to collect a body of trustworthy information of the kind which I am now about to present to the committee.

I shall not trouble you with the details, but merely give the general results of a few *bonâ fide* cases of actual expenditure, and I believe they are fair average cases, which will exhibit the actual savings which have been realized by persons whose incomes are below 150*l.*, and also by those whose incomes are above 150*l.*, in consequence of the adoption of the income-tax, and of the remission of taxes, and the changes in our commercial system which were brought about through its medium. But it should be recollected that, in estimating the savings, I have taken credit for the further remissions which I am about to propose as well as for those which have already taken place.

I have collected six cases of incomes varying from 175*l.* to 400*l.* a-year; and, after taking credit at moderate rates for the principal part of their savings, and carefully setting down the various items which go to make up their incomes, I find that their gross incomes amount to 1359*l.*, and their gross savings to 63*l.* 1*s.* 3*d.*, making a gain of above five per cent. upon the gross amount of their incomes; and even if you deduct the income-tax

which they have paid, there will still remain a saving of 22*l.* 16*s.* 6½*d.*, or nearly two per cent. upon their incomes. This, I think, is not an unsatisfactory result which I have presented to the committee.

But I have likewise got four cases of the actual expenditure of persons with incomes between 100*l.* and 150*l.*, and these, the committee should understand, are not cases which have been selected for the purpose of arriving at a particular result, but are cases which have been fairly and honestly collected for the purpose of showing the actual distribution of expenditure of the two classes to which I have referred. One is the case of a country tradesman with 120*l.* per annum; the second is the case of a retired Liverpool tradesman (having six children) with 120*l.* per annum; the third is the case of a widow in the country, with an income from 120*l.* to 150*l.* (say 135*l.* per annum); and the fourth is the case of a clerk in a country town, with 100*l.* per annum; making a total income of 475*l.*, and their gain has been 29*l.* 6*s.* 11*d.*, or between six and seven per cent. Deducting income-tax at the rate of 5*d.* in the pound, the savings would amount to 19*l.* 9*s.*, or more than four per cent. So that you see clearly from this that the persons with incomes between 100*l.* and 150*l.*, have apparently profited by the changes in our legislation to a considerably greater extent than those with incomes above 150*l.*

I ought to say that in estimating the savings I have endeavoured to keep strictly within the bounds of moderation, and that I have no doubt that the results could easily have been swelled if I had chosen. Now, sir, it appears to us that these facts offer a rather strong reason for considering whether, when we propose to renew the income-tax in the case of persons with incomes above 150*l.*, it is not demanded by justice that we should expect that persons with incomes below 150*l.* should, to some reasonable extent, become sharers in the burden. Her Majesty's Government think that in justice we ought to make this demand upon them.

What we propose is this—we propose so far to complicate the tax as to introduce a provision that incomes between 100*l.* and 150*l.* shall be liable at the rate of 5*d.* in the pound for the whole time during which the tax is levied, so that, for the first two years, incomes above 150*l.* will pay 7*d.* in the pound, and incomes below 150*l.* 5*d.*; for the next two years, the one will pay 6*d.*, and the other 5*d.*, and for the following three years both classes will alike pay at the rate of 5*d.* in the pound. I estimate that this tax of 5*d.* on incomes from 100*l.* to 150*l.* will produce 250,000*l.*, but as it will not be levied till the latter half of the current financial year, the sum of 125,000*l.* only will come to credit in the financial year of 1853-54.

I now come to another great exemption—the exemption of Ireland. Ireland, in like manner, has received the benefit of the income-tax through the changes in our fiscal system, but at the

same time the equivalent which was intended to be taken has not been exacted. That equivalent was twofold. In the first place, it consisted of a duty upon spirits of 1s. a gallon, which was abandoned almost as soon as it was enacted. In the second place, it consisted of an augmentation of the stamp duties—which augmentation was indeed levied for some years; but in 1850, my right hon. friend, the President of the Board of Control (Sir C. Wood), made a great reduction in the stamp duties both of this country and of Ireland, and in that reduction disappeared the increase which was enacted in Ireland as an equivalent for the income-tax. I am not able to speak with absolute precision, but as nearly as we can make out, it would appear that the rate at which Ireland now pays stamp duties on her transactions is as nearly as possible, on an average, the same as it was in 1842.

It is indeed true, that since the first enactment of the income-tax, Ireland has been visited with an awful calamity, and although that scourge has been mercifully withdrawn, yet traces of it still remain in many social and economical forms, and especially in the form of a very heavy and burdensome debt. That debt is but a fraction, indeed, of the generous aid accorded by the Imperial Parliament to the necessities of Ireland, but at the same time it cannot be denied that it is a very heavy and enduring burden, not on Ireland generally, but on its most distressed parts. Those, however, who look at Ireland cannot avoid being struck by the fact that all Ireland is not alike—that there are certain districts that do not need to shrink from their full taxation—and which have no reasonable claim or plea to offer for exemption.

Let me remind the committee what exemption means. It does not mean that we have got a bottomless purse, and that we can dispense exemptions to one man without injuring another; no, sir, the exemption of one man means the extra taxation of another—and the exemption of one country means the extra taxation of another. And as this applies to changes in the income-tax generally, so it applies to Ireland relatively to England.

What we think therefore is, that the case of Ireland demands very special consideration in connexion with the burdens that have been imposed on her, with respect to which I will say more by and by, as a sequel or corollary to the present branch of my subject; but, in the meantime, I have to say that we see no reason why the income-tax should not be levied on Ireland, as she, through the income-tax which Great Britain has borne, has received a great portion of the benefit attending the remission of taxes up to the present time, and is likely also to profit largely by the remissions I have to propose to the House. The produce of the income tax, which will be laid on Ireland under

precisely the same conditions and for the same term as in England and Scotland—the produce of the income-tax in Ireland I estimate at 460,000*l.* a year; but as the tax will not be levied till some time after October next, there will be only 230,000*l.* to come to credit in the financial year 1853-54.

I will now give the committee an account of the manner in which my estimate stands, as a whole, with respect to the income-tax. The estimated produce of the tax, supposing there be no change in the existing system—is 5,550,000*l.* Deduct life assurances (120,000*l.*), of which one-half only comes to charge this year, viz., 60,000*l.*, there will be left 5,490,000*l.* The extension below 150*l.* we reckon at 125,000*l.*; and the extension to Ireland at 230,000*l.*; making the total for the year 1853-54, according to the proposed plan, 5,845,000*l.*

I now come to another proposal for the augmentation of taxation, to which I invite the special attention of the committee. It is one of great importance. It involves both economical and social considerations of the highest nature. I have stated to the committee that we propose to enlarge our means by new taxation with a view to further beneficial changes in our fiscal system. That is one object we have in view. Another object is—and it is likewise an important object—to meet the public feeling, which we recognise and share, that the operation of the income-tax is severe upon intelligence and skill as compared with property. I frankly own my total inability to meet the feeling which has been excited upon the subject of the income-tax, by any attempt to vary the rate of the tax according to the source of the income; and that I think I should be guilty of a high political offence if I attempted it. But let me now point out to you that if you think that intelligence and skill under our system of taxation pay too much, and property too little, there are means of equalizing the burdens of the two classes, in a manner which would be, on the whole, safe, honourable, and efficacious.

Sir, I refer to the question of the legacy duty—a question which it is perfectly plain cannot long be withheld from the consideration of the House. In my opinion it is a question of which the earliest settlement will likewise be the best. It requires settlement. The tax is not just as it stands. And how is it unjust? I frankly confess that I have always thought that the view of the case, as stated by the hon. member for Lambeth (Mr. Williams)—who has exerted himself most effectively on this subject—I have always thought that his view, if I may say so without offence, was a most inadequate view of the state of the case. The tax is supposed to favour landed property, which I do not deny; but it also favours property which has not that claim to favour which landed property and household property might perhaps fairly urge as a ground of exemption from

taxation. I am glad to hear the hon. member echoing that sentiment. I wish to set aside the impression that the question bears on its front the odious aspect of a question of class. It does no such thing. We propose to alter it, and, subject to conditions which I will state, to extend the legacy duty to all successions whatever.

With respect to the probate duty, at the present moment we do not venture to deal with it. The probate duty itself, I grant you, calls for reform, and if the Government had the means of carrying into effect that reform in the present year it would have been satisfactory to have done so. As it is, we are obliged at present to postpone it, but we hope that in a future and early year it will come under consideration. It is said that the legacy duty is in the nature of a tax upon property. It is a tax upon property, and because it is a tax upon property it meets the views which have been so much favoured by a large portion of this House and by public opinion—namely, that if the income-tax is to bear unequally upon intelligence and skill as compared with property, then that inequality ought to be redressed in some way or other. I think this is a safe mode in which to redress that inequality, and if this is a tax upon property it is divested of the danger that attends the taxation of property generally.

The greatest mischief of taxes upon property is the liability of a constant recurrence of those struggles of classes which are often associated with them. But in carrying into effect this increase in the legacy duty you have this great advantage, that the liability to pay occurs only within the limitation which the laws of a higher power have ordained; that it only occurs once, on the death of a man; and that no man can die more than once. I may be wrong, but I assure the committee that it appears to me that this is a most weighty consideration for those whose duty it is to inquire how they can best neutralize the social dangers incident to all questions connected with the taxation of property. Upon the whole, the question may thus be stated. The present adjustment of this duty cannot be maintained. You find the principle of this tax recognised in our law; you find its operation so limited by the very conditions under which it exists that there is little reason to apprehend the disturbing of a fair settlement of these duties, if once made; and you will, I think, be of opinion, that this is a fair and right tax to adopt for itself, and that it is one which in other respects meets, in the best, safest, and most effective manner, the feeling which is I know prevalent in this House—that the present operation of the income-tax is severe upon intelligence and skill as compared with property.

I propose to retain the present scale of consanguinity, with one change.

[An hon. member—Oh!]

We cannot go into that matter now, because the emotion of the hon. member might produce a duellum between him and me that would inconveniently cross the course of my general statement, and we must adjourn the consideration of the subject to another time.

We propose then, sir, to retain the present scale, but with one mitigation. Under that scale, relations of affinity are treated as strangers—a son-in-law and a daughter-in-law pay a duty of ten per cent. We propose to place them on the footing of relations by blood. We propose that the exemption of real property should no longer exist, subject to the conditions I am about to mention. The Government propose that the exemption of settled personalty should no longer exist, and as we abolish the exemption, I now come to the question—a most grave one for the Government to consider, and one which they have carefully considered—would it be just that all descriptions of property, personalty and real property, should be charged at the same rate of duty to the legacy duty? Our opinion is that it ought not, and we think that a distinction ought to be taken, but not taken exactly in the same manner as heretofore.

It is obvious, when we regard the burdens upon property in this country, that there is a great mass of taxation that attaches to property which may be roughly called—I do not know whether the term is capable of a strict legal construction, but it will best convey my meaning—rateable property, which includes along with real property a great amount of leasehold, copyhold, and so forth, which is not real property, but which is subject to the burdens of real property; which is subject to taxation by the income-tax, which is subject to the land-tax, though, as a whole, in a somewhat less degree than land itself, which is subject to the extra charges on the transfer of property, and which is subject generally to all the charges that affect visible property as contrasted with invisible property, and especially which is liable to the great weight of local taxation. There is between these items a sum of 14,000,000*l.* or 15,000,000*l.* of taxes in the three kingdoms laid entirely on rateable property, to which not real property only, not land only, but leasehold and copyhold property also are subjected. This property is now struck in both ways; it is subject to the legacy and probate duties, and it is also subject to all the burdens incident to real property.

The Government propose to amend the whole foundation of the law, by striking a new distinction, and by saying that whatever exemption or partial advantage shall be given to real property shall be given in conjunction with it to other property which is now subjected to similar special burdens. We propose, therefore, totally to abolish for the purpose of legacy-duty or succession-tax the effect of settlement, so that the person who succeeds to personal property will pay according to his interest.

He will pay upon the capital, if he succeeds to the capital ; and if he succeeds to a lesser interest he will pay on the value of that lesser interest. The Government, then, thinking it just that a less amount shall be taken from rateable property than from property that does not pay these special burdens, have to ask in what way that distinction can best be struck. It has long been the policy of this country—the result, it may be, of measures accidentally taken, but not on that account the less beneficial—that visible and rateable property should be principally taxed in the form of an annual charge. Now it would be obviously highly inconsistent, while we leave such property subject to its heavy annual burdens, to aggravate them by laying a heavy charge upon capital. For the Government would then force and accelerate by the pressure of fiscal enactments changes in the tenure of this property; and that acceleration would be, in my opinion, not only unjust, but most cruel and mischievous in a social point of view.

We think that if anything in the nature of a distinction is taken in the legacy duties in favour of rateable property as against the other descriptions of property, the fairest mode in the case of an estate would be found to be this—that the successor to real and rateable property should be in all cases taxed upon the life interest only, or on a minor interest if he has only a minor interest. It is difficult for me to enter upon a full discussion of all the reasons that have led us to that conclusion. The question is very much connected with the great difficulty of any attempt to ascertain the capital values of real property. As a matter of fact, under the social arrangements of this country, our great estates are settled estates. Leaving this subject, however, for future discussion, it is our opinion that our proposal ought to include the legacy duties, but that some remission ought to be granted to property which is now subject to a great weight of peculiar and exceptional taxation; and we think that the best mode of framing that provision would be to charge the succession of rateable property upon the life interest of the person succeeding in the net annual income after the deduction of incumbrances.

We propose that the duty should be leviable, as was proposed by Mr. Pitt, in eight half-yearly instalments. In cases where there is a succession to a life interest, our proposal would be that the unpaid residue of the tax should drop in the event of a new succession before the last instalment is payable; but in the case of a succession in fee the whole will be charged, and if death occurs before the remaining instalment is paid, the duty will become a debt of the Crown against the estate. That is our proposal with regard to the legacy duties.

I now come to the financial results which we anticipate. The produce in the first year will be small. We do not propose to



charge the new duty upon any succession anterior to the period when the committee shall adopt the resolution. The law allows twelve months for the payment of the legacy duties, and it will be impossible to fix the payment of the duty upon rateable property, if the committee should adopt it, until after at least one of the ordinary periods of the payment of rent. The duty in cases of personalty will come in more quickly, but I cannot reckon upon a larger receipt from the alteration of the legacy duties for the year 1853-54 than 500,000*l.* over and above the duty now received from this source. In subsequent years the amount will be greatly enlarged. I have no objection, as far as I am able, to state the results of my investigation as to future years, and I think I do not exaggerate when I say, that this tax, if it is adopted by the committee, while it will add 500,000*l.* to the income of the present year 1853-4, will add a further increase of 700,000*l.* to the year 1854-5, 400,000*l.* more to the year 1855-6, and 400,000*l.* more to the year 1856-7, making a total addition to the permanent taxation of the country of not less than 2,000,000*l.* per annum. And this I must remind the committee is a tax which will leave wholly untouched the intelligence and skill of the country. It is a tax that gives the relief, and more than the relief that you aim at by the reconstruction of the income-tax, but does it without the danger which would necessarily attend that reconstruction.

Mr. DISRAELI.—Does that apply to the three kingdoms?

The CHANCELLOR of the EXCHEQUER.—It is a general change of the law as to legacy-duties, and one which takes no cognizance at all of one kingdom or the other.

It has long been considered as a great object of financial policy to effect the equalization of the spirit duties between the three countries. It is, however, a very difficult problem. It is very doubtful whether it will ever be entirely attained; but such an approximation to it as would stop smuggling might perhaps, at some time, be reached. It is quite plain that such an equalization cannot be obtained without some reduction of the spirit duties in England. We must lower the English duties at a fitting time to some point, up to which the others may be raised. In the present year we do not propose to make any change in the English spirit duties, for that question is much mixed up with the licensing system, which is now under the consideration of a committee of this House. On account of its connexion with the principle of licensing in populous districts, for the present the question of the English spirit duties must stand over. But the Government are of opinion, after a careful consideration with respect to Scotland, that there is no reason why, in the case of Scotland, there should not be a moderate increase in the duty upon spirits. I believe that an increase of the duty, confined within due bounds, would not

be opposed to public opinion, nor unacceptable in Scotland. An increase on the duty upon home-made spirits would render necessary an adjustment of the duty upon colonial spirits, which I only mention now in passing, to obviate misconception, without going into details.

Our proposal will be, that a duty of 1*s.* be added to the 3*s.* 8*d.* a gallon upon Scotch spirits—allowing the malt drawback to remain as at present. The consumption in Scotland is 7,170,000 gallons. The actual revenue is 1,315,000*l.* The expected revenue is 1,633,000*l.*, which is a gain of 318,000*l.* I may here stop to congratulate a noble lord opposite (Lord Naas) on having attained a triumph. I ought, in strict propriety, to have reserved this until I came to Ireland, but the order of my subject has obliged me now to advert to it; and I have to apprise him, that his victory is at length achieved. We propose to save the money of the distiller, and likewise the time of this House, by making an allowance for waste upon spirits in bond. That allowance for waste will be in Scotland 40,000*l.*, which will give the net increase of revenue from the increase of the duty upon spirits in Scotland 278,000*l.*

The Government have also anxiously considered this question as it regards Ireland. It is quite plain, I am afraid, that we can in no case stand as we are with regard to the Irish spirit duty, for an allowance for waste upon spirits in bond will entail a diminution of revenue. At present, the spirit duty in Ireland is extremely low in comparison with the duty in the two other countries. When an attempt was made to increase the tax in 1842 by 1*s.* per gallon, it was found most difficult to give effect to the increased duty; and we think it would not be safe to levy an additional tax of 1*s.* a gallon upon home-made spirits in Ireland.

But we have looked carefully to the means at our command for enforcing the levy of this tax.

In Ireland there is a revenue police, which has hitherto had the exclusive charge of enforcing this duty. But there is also maintained in that country at the public cost a large force, the constabulary, which has had no share whatever in giving information to those who have been engaged in levying the spirit duties. We contemplate a change in the relation of these two forces. I cannot say whether it will ultimately involve an absorption of the one force into the other, nor shall I now describe in what way it will be done, but the constabulary will, in a manner that we think will be effective, give their assistance in the levying of the duty upon spirits. We think that, under these circumstances, we may fairly propose an increase of duty of 8*d.* per gallon on Irish spirits,—namely, from 2*s.* 8*d.* to 3*s.* 4*d.*, subject to the deduction of 40,000*l.*, the allowance for waste spirits in bond. This will give us a gross gain of 238,000*l.* upon the

consumption of Irish spirits; but deducting the allowance for waste of 40,000*l.* we have a net gain of 198,000*l.* That gives from both countries—Scotland and Ireland—an increase of 476,000*l.* But it is necessary that I should make an allowance for waste in England, not for the sake of English distillers, but for the sake of Irish and Scotch distillers, with whom it is a great object to bond their spirits here. There will therefore be an allowance of 40,000*l.* for waste in bond in England, which will leave a net gain from the increased duty upon spirits of 436,000*l.* a year.

There is one other very small augmentation of revenue that I propose, and that is, the revenue upon certain classes of licences. If the committee examine the present scale of licences, they will see that they bear very unequally upon the minor and the greater tradesmen; upon some classes it is uniform, as upon grocers and tea-dealers, and they pay the same, whether they pay rent to the value of 5*l.* or 500*l.*, whatever amount of business they transact. We do not propose to take up the more important questions as to those licences which are connected with the sale of spirits, wine, and beer: but we propose, in regard to the licences of brewers, maltsters, dealers in tea and coffee, manufacturers of and dealers in tobacco, and soap-makers, to rectify the present scale of licences, raising them at the upper end of the scale to a rate bearing some proportion to the value of the premises, or the amount of business. The gross increase of revenue arising from licences I take at 113,000*l.*

The whole amount of increased taxes which we propose to levy, and which will come into the accounts of 1853-4, is as follows:—Income-tax, 295,000*l.*; legacy-duty, 500,000*l.*; duty on spirits, 436,000*l.*; licences, 113,000*l.*; these amount to a total of 1,344,000*l.*, which, with the anticipated surplus of 807,000*l.*, will give a fund of 2,151,000*l.* available for the remission of taxation.

I cannot proceed further without stating more particularly the nature of our intentions with regard to Ireland. The committee have found that we propose to make the income-tax payable in Ireland for a moderate term, and at a descending rate, as in England, and that we propose to levy an increased tax of 8*d.* on spirits in Ireland, which may be a net tax of between 6*d.* and 7*d.* a gallon, after allowing for the waste of spirits in bond. But I have now to refer to that case which I lately mentioned of rent-charge formed by the consolidated annuities. It was the opinion of the Government that it was impossible for them to arrive at a final decision upon that important subject, without carefully weighing the collateral questions of finance. The annuities represent a capital of 4,500,000*l.* of public money, and in dealing with them the Government was bound to have regard to the actual situation of Ireland, recovering as it is from a season of

the deepest distress, and also to have regard to the harmony of the relations between the two countries, and they thought they could not arrive at a final decision till they had considered the general plan of finance which it might be their duty to recommend, and its bearing upon Ireland.

They now recommend a measure which, if you adopt it, as I trust you will, will advance us one great step towards establishing an equalization of taxation between the three countries. It is true that the income-tax is of temporary duration; but you will show by levying it that there is a *bonâ fide* intention and a rational prospect of equalizing the taxation. At the same time, it is important that you should consider the great necessities of a portion of that country; and when you come to consider these things, it will be plain that the disposition of Parliament will be to adopt large and generous measures, and not to consider this as a mere question of money. You will consider this heavy charge—you will consider all that it represents—the recollections of the famine, the peculiar character of that awful visitation, the feelings of England to Ireland, and of Ireland to England, and you will feel the advantage of any measure that may seem to promote a more kindly tone between the two countries, and to relieve them from the relation of national creditor and debtor in which they now stand.

The Government have determined to make a large proposition. The 4,500,000*l.* of consolidated annuities include 1,500,000*l.* of debt that strictly belongs to the establishment of the Poor-law in Ireland. That was a great social and national good—a great and permanent good to Ireland. But every good to Ireland is also a good to England. The other 3,000,000*l.* consist of debts entirely connected with the famine. A committee of the other House of Parliament have sat on this subject, and they have recommended a remission of 2,000,000*l.* of this taxation. Sir, the plan of the Government, after maturely considering the whole question, is, to propose to Parliament that, from and after the 29th of last September, the consolidated annuities shall be wholly wiped away. They propose that the whole sum due from Ireland to England shall be remitted.

In remitting these charges, and in proposing an income-tax upon Ireland, you will grant away an immense sum of money, but you will make a great stride towards that, the advantage of which I hardly know how to appreciate—namely, bringing the two countries towards the establishment of the principle of equalized taxation.

On the details of that subject I need only add, because I shall be asked what I mean to do with the arrears, that all arrears in respect to consolidated annuities due up to the 29th of September will be paid as they would have been if the law had continued in force. On the other hand, nothing will be collected which has

become due since the 29th of September ; and any money which has been so collected will be returned to those who have paid it, so as to take care that the non-paying classes obtain no advantage over those who have regularly and duly paid.

Now, sir, we are inviting you to remit a capital sum, which was nearly 4,500,000*l.*, and is still above 4,000,000*l.*, and to remit an annual charge of 245,000*l.* Three-fourths of that annuity would continue for forty years, and one-fourth for various periods of from ten to thirty years.

The taxation we propose for Ireland would in the first two years be considerably higher than the taxation we propose to remove ; but if we look to the time when, as I have said, Parliament will be in a position to part with the income-tax, Ireland will enjoy, and enjoy for a long term of years, a much larger remission of consolidated annuity than it will have to bear of additional burdens in the shape of the spirit duty.

So much for the case of Ireland. And now, sir, as I have done with that most offensive part of my task, the imposition of taxation, I feel as it is said men are wont to feel—and as some of us have felt—when they have ended their long upward journey, and reached at length the summit of the Alps. Now I have the downward road before me, and the plains of Italy are in my view.

I come then, sir, to consider the more agreeable subject of the remission of taxation—that remission of taxation to which, in whatever form, up to this moment, not from obstinacy, and not from petulance, but from a conviction of our public duty, we have thought it right steadily to decline acceding.

The first remission of taxation I shall propose has reference to the Excise Department. It is impossible to deny that there are great evils connected with the soap-tax. In the first place, the system of drawbacks, which is a system incident to the use of soap in our manufactories, entails an immense loss by fraud. In the second place, this is an article of taxation which is most injurious both to the comfort and to the health of the people. In the third place, this is an article on which the pressure of the tax is so severe, that, notwithstanding the general wisdom and fairness with which your excise laws are administered—notwithstanding the drawback you grant on exportation—your productive power is crippled by the tax. You cannot compete with the foreigner ; your export trade dwindles day by day ; and gentlemen who have come to me to represent the case with respect to soap—well-informed gentlemen,—have stated that if you will only take that bold measure with respect to the soap-tax which we shall recommend, over and above the entire rate of duty, the consumer of soap would benefit to the extent of no less than twenty-five or thirty per cent. in consequence of the cheapened production. Therefore, for every penny of duty we ask you to

surrender, we feel that we are giving double that advantage to the consumer, and a great impetus to trade.

There is one other point to which I cannot but feel that I must advert. The question of the African slave-trade is one which excites different feelings among us. We have but one sentiment, indeed, with respect to the extinction of the slave-trade, but there is a difference with respect to the measures to be taken for that extinction. Some have thought the means of force used are unavailing, but all agree that the promotion of legitimate commerce would be the most satisfactory, the most effective, and the most desirable of all instruments you can apply. It may be said there is a wide interval between the premisses and the conclusion if I say, in order to extinguish the slave-trade repeal the soap-tax. But a connexion more legitimate than this any gentleman cannot well imagine. The map would show how many are the rivers of the coast of Africa; those rivers may for the most part each become depôts for the trade in palm oil. The quantities you may receive from that source are almost immeasurable. There are the great materials for a trade which, if you only relieve it from restraint, will show that the energy, the capital, and the intelligence of the country are as well entitled to carry away the palm in this particular industry as they show themselves to be in so many other trades.

The gross receipt from the soap duty is 1,397,000*l.*; the drawback, 271,000*l.*; the net receipt, 1,126,000*l.*; the cost of collection, 15,000*l.*; the net final loss, 1,111,000*l.* But with reference to the general necessity for fixing a time to commence the remission of duties, the most convenient time for this purpose in regard to the soap duty is the 5th of July. But there is also conceded to the manufacturer a power of keeping his soap in bond if it is thought fit to do so. There is already a sum due with reference to the quarter just expired, of 140,000*l.*, and before the present quarter is out probably 200,000*l.* will be due on these accounts. We have to credit this year with the sum of 340,000*l.*, and the net loss for this year will be 771,000*l.*

I come next to the division of the stamp duties. It is not possible for the Government, with all the means at their service, to deal with all the articles they would wish. There are articles—such as the stamps on fire insurance and marine insurance—on which they would gladly, if they could, grant remissions of taxation. But they have made the best choice in their power with the limited means at their disposal.

One subject that naturally presented itself to them, both in connexion with the income-tax and likewise as bearing directly the character of a tax on prudence, and bearing it especially as against the poorer classes, is the present tax on life assurance. It bears very heavily on the poorer classes, though not severe in itself. At present it amounts to half-a-crown per cent. We

propose to reduce it from 2s. 6d. to 6d. The produce is 40,000*l.*—the immediate loss, or amount of relief gained will be 29,000*l.*

We propose next to deal with an article which in its present state is most unsatisfactory, and that is the article of stamps on receipts. This is a duty which does not grow as it ought with the transactions of the country, a duty which is evaded wholesale, and a duty which I must say entails very considerable inconvenience. It is not the mere question of charge that measures the burden and annoyance of a tax, but the necessity of dealing in particular papers, stamped with particular amounts, which you have to send and get as occasion requires, with trouble and loss of time,—all these are little things, but all of them enter very much into the question of inconvenience, and create just objection to the tax. What we propose is, to make an entire change, and adopt a system analogous to the system found so convenient for the public with reference to postage—namely, that of penny stamps. We propose by a penny stamp on instruments for any payment in money, as contrasted with negotiable instruments, to make such payment valid. Though the first loss to the revenue will not be inconsiderable,—namely, 155,000*l.*, it is not a loss without hope of recovery. We think that it is a loss to which the committee, for the sake of so great a convenience, would be disposed to accede. The penny stamp crossed and defaced by the writing would be necessary to constitute a valid document of discharge. As you have to pay 3d., 6d., 1s. at present, so we propose to annex the single condition of affixing a penny stamp as sufficient. The stamp may also be attached to bankers' cheques, so as to make them valid and legal receipts, or in order to legalize their transmission from one place to another without limit of distance.

We propose to make a change with respect to those indentures of apprenticeship which are known as indentures without consideration. This is a duty which produces very little, from the charge being too high: from 20s. we propose to reduce the duty to 2s. 6d.

The next question I have to mention is one popular with the majority of this house—unpopular with the minority. It is the case of the attornies. I must confess that I do not think the vote of the House of Commons taken upon this question would have justified the Government in proposing a remission of this duty, because we feel strongly that an isolated vote of the House of Commons, given on a particular duty, is given necessarily on considerations attaching to that particular duty, and without reference to the comparative and relative claims of others. But we do think, in consideration of legislative changes, which have been lately made, and which have tended, by indirect as well as direct action on the law, to diminish the business of attornies, that there might be some remission of

taxation. What remission should it be? We are not satisfied with the proposal made by the profession. The profession is subject to three charges. The first is on admission to practice, which is small. The next is the charge for the annual certificate, which is 12*l.* for the metropolitan solicitors, and 8*l.* for country solicitors; and, thirdly, the charge for articles of clerkship is put at the enormous amount of 120*l.*—a charge on capital paid by solicitors in anticipation, though they may die, though they may turn out incompetent, or may by any one of a thousand accidents be prevented from proceeding to the profession. The profession said, "Take the tax off the annual certificates for those who are in the profession; leave those who have to enter to pay precisely the same." We do not think that would be a wise mode of dealing. Having made up our minds that we may propose a remission of about 50,000*l.*, we propose to apply this remission in fair proportion to the certificates and the articles of clerkship; to reduce certificates from 12*l.* and 8*l.*, to 9*l.* and 6*l.*, and articles of apprenticeship from 120*l.* to 80*l.*

I come now to the question as to advertisements. With respect to that question, I hope the committee will not consider that it indicates any disrespect for the judgment at which the majority of the House recently arrived, if, having the same object in view, and desiring to bring about some more effective modification of the present taxation, we, having been led by our examinations to believe that there is a better mode of proceeding than that which the House adopted, think it our duty respectfully to submit that mode of proceeding to the deliberate consideration of the committee; and it is right I should say that the plan I am about to state was a plan which the Government had already adopted at the time of the debate on Thursday last. It may, perhaps, be said, "Why did you not say so?" My answer is this—that it was from no sentiment of mortification, that it was from no desire to practise an undue reserve; it was because we feel that, if the Executive Government is with advantage to the country, ordinarily to discharge the function of the initiative with respect to finance, it is absolutely necessary that the strictest silence should be observed—not in contempt of pressure, but yet, notwithstanding all pressure—till the time arrive when the views of the Government can regularly and comprehensively be disclosed.

What we propose with respect to the duty on advertisements is this—and financially our proposal comes within a mere trifle (within 20,000*l.*) of the other. The present duty on advertisements at 1*s.* 6*d.* yields 181,000*l.* We propose to reduce the duty from 1*s.* 6*d.* to 6*d.* [Oh! from Mr. Milner Gibson] The right hon. gentleman could not wait on Thursday last for four days, and now he cannot wait for as many minutes. May I make that



moderate demand on his patience? It is absurd, and most of all should it appear so to the right hon. gentleman, the member for Manchester, who has considered this question, to consider the duty on advertisements alone. You must consider it with reference to the other duties which affect the journals in which those advertisements appear.

I venture to say that, if you repeal the duty on advertisements simply, and leave the duties on the supplements on newspapers as they are, it is very doubtful whether a great part of your reduction will not go into the pockets of newspaper proprietors, and remain there without reaching the advertisers. You want a large increase in the number of advertisements, but you must take care that you don't subject people to taxation in another form by multiplying their advertisements. Take the case of *The Times*. You know it is obliged to limit its advertisements. I will not go into that subject; but there is a point beyond which, in consequence of the 1*d.* stamp on supplements, and the  $\frac{1}{2}$ *d.* stamp on supplements, it does not pay to insert advertisements, on account of the expense of printing and stamping the supplement; and therefore a time comes when they must have a limit to the advertisements, and put a higher price on them, on account of the supplement.

What we propose is this—to reduce the duty on advertisements to 6*d.*, and, instead of taking off the remainder of the duty on advertisements, to repeal altogether that with which the plan of the right hon. gentleman did not propose to meddle—namely, the 1*d.* and  $\frac{1}{2}$ *d.* stamps on the supplements of newspapers which are used for printing advertisements. And I venture to say the plan we propose is far more sure to secure to the advertiser the benefit of the reduction than the plan which you propose; because, if you remove the advertisement duty altogether, then, when advertisements come into a newspaper, they must either be limited to the present sheet of the newspaper, with the present limited space, and no competition, or they must be liable to that heavy stamp duty which discourages the printing of supplements.

The first loss on the advertisement duty and the supplement stamps will be 160,000*l.*

The only other change we propose is contingent on a bill, by which my noble friend the Secretary for the Home Department proposes to effect a material reduction in fares for the benefit of the metropolis. It is proposed to reduce the taxation on hackney carriages. A common hackney carriage pays 10*s.* a-week. We think there ought to be a reduction, in conjunction with the reduction of fares. We propose to reduce the duty from 1*s.* 5*d.* a-day to 1*s.* a-day, which will give a relief of 26,000*l.* The relief from the remission of taxation on the entire division of the Stamp duties will be 418,000*l.*

With reference to the point of the duty on advertisements, I hope that, in addition to the proposition I have stated as regards the bearing of the plan proposed last week, and the bearing of that proposed by the Government, the committee will be willing to consider the effect that is likely to be produced by sweeping away entirely any branches of the revenue, if it be not revenue of an objectionable description—that is, of a description which cripples trade, and interferes with convenience and comfort in a degree disproportionate to the contribution it procures towards the public expenditure. I really do not see how it is possible in principle to maintain any duty whatever on fire and marine insurances—any duty on a great many articles which I fear both have long been, and must long be, the objects of taxation—if the arguments against the present advertisement duty are to be pushed to such a length as to stop at nothing short of absolute abolition.

We propose also to the committee, that they should attempt to make a reform of the assessed taxes. That is a proposition which cannot fail to be acceptable; but the operation is not an easy one. If it is to be successful it must proceed on three principles—the abolition of what are called the progressive duties; the abolition of what are called compositions; and, lastly, the abolition, or the almost abolition, of exemptions, and the substitution for the present obscure and complicated system of rates and taxes which shall be few, simple, and as nearly as possible uniform. What the Government propose is, that instead of the present duties on men-servants, beginning at a *minimum* of 1*l.* 6*s.* 6*d.*, and running up through a great variety of rates, an uniform rate of one guinea on servants above eighteen years of age shall be levied, and of 10*s.* 6*d.* on servants under eighteen. Upon private carriages we propose, instead of *minimum* charges of 6*l.* 12*s.*, 4*l.* 15*s.* 6*d.*, and 3*l.* 11*s.* 6*d.*, running up as before to rates still higher, to charge 3*l.* 10*s.*, 2*l.*, and 15*s.* The duty on carriages let for hire, such as postchaises, will remain at 3*l.*; but the particulars relating to this subject will be more explicitly stated in the resolutions. The duty on horses, beginning at 1*l.* 11*s.* 7*d.*, mounts up through a great variety of rates. We propose that trade horses shall remain as now, at 10*s.* 6*d.*, that the duty on ponies shall be 10*s.* 6*d.*, and on other horses 21*s.* The hon. member asks what we propose with respect to agricultural horses. We propose to leave them as they are now—exempt. We may be wrong. Exemptions, as exemptions, I do not like; but it appears to me that the case of agricultural horses is strictly analogous to that of steam-power in factories. Our object is, irrespective of fear or favour, to propose what we think impartial justice to every class. I have received proposals suggesting the imposition of taxes on steam-power. Of these I need scarcely say that they were summarily dismissed.

Whatever my love of symmetry, I do not think it just to remove the exemption of duty which applies at present to horses employed in agriculture.

We propose to make a simplification of the duty on dogs. They are usually great favourites with their owners—not so much so with the rest of the community. There are two rates of charge at present on dogs—a duty of 14s., and one of 8s.; and these different rates, inasmuch as they lead to much difficulty and evasion, we propose to unite at a sum of 12s.

The immediate effect of these changes will be a loss of 87,000*l.* on servants, 95,000*l.* on private carriages, 118,000*l.* on horses; but we have a gain of 10,000*l.* in the case of dogs: so that the first loss by the remission of assessed taxes will be 290,000*l.* As in the case of stamps, however, our hope is that the first loss will in a great degree, and at an early period, be made up to the revenue. The assessed taxes are levied under 72 acts of Parliament; and if the House wishes the system of these assessed taxes reformed, it must be prepared to support us in the principle of subjecting to moderate duties a great variety of articles, which now enjoy unwise and undue exemptions.

We propose, also, to change a system that does not strictly belong to the head of assessed taxes, but which is of an analogous character. I allude to the post-horse duties. The case of the post-horse masters is a very hard one. The present system is exceedingly unequal. The duty, which is heavy and burdensome, is levied on mileage, and is subjected to all manner of difficulties in the collection. It is raised by the issuing of tickets taken up at the first turnpike; and I may state, in the first instance, that I believe the largest post-masters in the kingdom are in London, whose principal traffic is to the railway stations, where there are in many cases no turnpikes whatever. Altogether, the system is indefensible, the duty too onerous in its amount, and, as I have said, very unequal in its distribution. We propose, in dealing with this matter, to take the plan that has been submitted to us by the post-masters themselves. Their own proposal was a very fair one, for they declared they were not so anxious for a remission of taxation as for an entire change of the system. They propose that the bulk of the tax shall be levied in the form of licences, which licences shall vary according to the number of horses and carriages. In this way we propose to make a remission of 54,000*l.* a-year in favour of the post-masters. We propose a scheme of duties on the licences for horses and carriages, which will realize a sum of 161,000*l.* a-year, giving, as I have said, a remission of 54,000*l.* a-year.

Another change falling more nearly under the head of assessed taxes than any other of the main divisions of my subject, is proposed with the view of giving greater facilities for the redemption of the land-tax. The present provision of the law for the redemp-

tion of the land-tax is very stringent, and its operation is in consequence exceedingly limited. You may redeem a tax of 1*l.* levied on the land, by transferring to the Commissioners for the Reduction of the National Debt 22*s.* a-year in the funds; but these are extremely unfavourable terms; and, instead of requiring 10 per cent. more than the amount of the tax, we propose to reduce it by 17½ per cent.; that is to say, we propose to take 7½ per cent. less than the amount of stock which would yield an annual interest equal to the tax redeemed.

The committee should be aware that any change made with relation to the Assessed Taxes cannot come into operation during the present year; and if at a future period of the session we shall, in pursuance of my statement to-night, ask the House to pass an act called an Assessed-tax Act, the operation of the change will be as follows. The Act will be framed to take effect in the financial year April 1854-5, and persons will then be charged upon the articles they may have kept, not from April 1853 to April 1854, but from 10th of October 1853 to 5th of April 1854. Out of all the losses of revenue, or commutations of taxes, under this branch of the assessed taxes, only one, involving the loss of 54,000*l.* on post-horse duty, would come into effect this year, and of this only one-half would come to charge—namely, from 10th October to the 5th of April.

I have still an important branch of remissions to mention. There will indeed be a loss of revenue in the plan proposed with reference to colonial postage, but on that I do not enter, as I doubt if any part of it will come into the present year. I pass on, therefore, to the important head of Customs' duties, which still remains untouched. Now, with reference to the Customs' duties, I may state that no branch of revenue has attracted more the attention of the Government, as they feel that it is here, after all, that the elasticity of the powers of the country has chiefly been shown; and they think that it is by these powers they are supported and justified in the proposal they are now about to make with the hope of producing an effective result as regards many articles of Customs' duties.

I will first, however, mention an article of importance in which we can make no change, and that is the article of wine. I refer to this tax, as it is a subject of peculiar susceptibility, and the cause of an agitation out of doors, which is almost as perilous to the wine duties as certain climates are to the growth of wine itself; and because it is desirable that if the House and the Government think no change can be made in the duty, that opinion of the House and the Government should be clearly and intelligibly expressed.

There are three plans, any one of which may be followed with regard to wines. One would be to reduce the duty to a low uniform duty of 1*s.* 6*d.*, or 2*s.*, or at most say 2*s.* 6*d.*, the

gallon. Now, you cannot do that unless you are prepared to sacrifice an amount of revenue for the first year of at the very least 700,000*l.*, besides an additional difficulty in regard to the drawback on stocks on hand, with respect to which it is not impossible that the Government might form a sturdy resolution in which the House of Commons might afterwards be induced not to concur. But, whether that be so or not, a loss to the revenue of 700,000*l.* more on the article of wine is very serious; and the importance of the change in connection with its cost will not, we think, advantageously bear a comparison with other objects that the Government have in view. Another plan would be to fix a duty of several rates on wine of different values, somewhat resembling the duty on different qualities of sugar. But if that is attended with difficulty in the case of sugar, with how much greater difficulty would it not be attended in that of wine? It has many recommendations; certainly, and this among them, that it would admit low classes of wine at a smaller loss to the revenue. But the Revenue Department would have the greatest difficulty in carrying out such a system; it would be complex in its operation; the wine trade, almost to a man, are opposed to it; and I cannot say that public opinion is so much in its favour as to induce us to attempt to carry it into effect. That being so, there is no choice for us but to say that, whatever be our opinion of the operation of the present wine duty, we are unable to propose any change in it, and we must pursue the third and only remaining plan—that is, to retain the existing duty; while we cannot propose any change in it at the present time, neither can we see any definite or early prospect of a change hereafter.

I go to the next article, which is tea. I will not discuss the reasons that exist for reducing the tea duties. It would be idle to do so, for the question is already settled in public opinion, and I have yet work to do before I close. And, as we have agreed to make a reduction in the tea duties, so we have acceded to the general principle recognised by the right hon. gentleman (Mr. Disraeli), on the part of the late Administration, that it would be most unwise to make the reduction to 1*s.* by a single leap. It is almost demonstrable, so far at least as a negative is capable of demonstration, that you cannot have the slightest hope of such an immediate increase of supply as would indemnify the revenue, or even bring the loss within moderate bounds, and, what is of yet more importance, secure the main benefit of the reduction to the consumer.

What we propose is this, to take the first step just as it was to be taken by the right hon. gentleman opposite last year, and reduce the duty, at once, from 2*s.* 2½*d.* to 1*s.* 10*d.* We have carefully considered the present state and prospects of the supplies of tea. The condition of the Chinese empire, at this moment, is certainly

not as favourable to such extended supplies as we could wish. We cannot entertain sanguine expectations that any very large addition will be made in the next twelve months, to the quantity available for the wants of this market; but, notwithstanding, we hope and believe, if there shall not exist a chronic state of revolution in China, which is a thing not to be supposed—that, so far as the production of tea is concerned, a short time, a couple of years probably, would be sufficient to put us in possession of a perfectly adequate addition to our supply.

We propose, therefore, to take the first step, as the right hon. gentleman (Mr. Disraeli) took it, but we propose, thereafter, to proceed somewhat more rapidly. We shall take the first reduction from the date when the House, if it coincides with us in opinion, shall adopt the resolutions. To the 5th of April, 1854, it will be 1s. 10d.; to the 5th of April, 1854-5, it will be 1s. 6d.; to April, 1855-56, 1s. 3d.; and from April, 1856, it will be 1s. The whole time occupied in effecting the descent from 2s. 2½d. to 1s. would thus be less than three years. We hope, with favourable circumstances, thus to bring in the supply necessary to meet increased demand, but we could not venture to recommend to the House the adoption of any shorter period for effecting the change. Again, let me warn the committee that they must not suppose that this is a change which, if we take a clear and dispassionate view of it, can be effected without a heavy loss to the revenue in the first instance.

The amount of remission, indeed, will be enormous. If any gentleman will calculate the difference between 2s. 2½d. and 1s. on the amount of tea consumed during the last year, he will find it come to nearly 3,100,000*l.*,—a sum much too large to reckon upon recovering all at once. By the arrangement I have stated the computed loss of the first year will be 366,000*l.*; for the second year, 510,000*l.*; for the third year, 454,000*l.*; and for the fourth year, 604,000*l.*; making altogether a positive diminution on the Customs' revenue, in these years, of 1,934,000*l.* But at the same time the loss, we trust, will undergo thenceforward a rapid and steady diminution.

In proceeding to consider more generally the state of our tariff, we have been desirous to carry into effect something like a new revision of taxes, and to apply to it wherever our means would permit the following general rules,—first, to abolish altogether the duties which are unproductive, except in cases where there may be some special reason to retain them on account of their relation to other articles; and, in the next place, to abolish, as far as considerations of revenue will permit, duties on articles of manufacture except such as are in the last stage as finished articles, and are commonly connected with hand-labour, in regard to which cases we have thought it more prudent and proper to proceed in the mode, not of abolition, but of reduction; in these

cases we have endeavoured to fix the duties in such a way that as a general rule they should not stand, as to any class of goods, higher than 10 per cent. on their value. As I have referred to 10 per cent., I may state that we have not thought it right to propose a reduction in the silk duties, which are 15 per cent. The question of the silk duties is mainly a question of revenue, and in regard to it we do not think it is an article that has the strongest claims upon our consideration—for, in so far as it is an article into the manufacture of which protection enters, the protection has mainly reference to certain classes of operatives with respect to whom it would be the disposition of Parliament to proceed carefully and with great circumspection.

We desire further, whenever it can be done, to take the mode of substituting rated duties for duties *ad valorem*, and to get rid in every case, except in a few instances where it is important on account of revenue, of the 5 per cent. addition to the Customs' duties made in 1840, which, besides raising duties, greatly complicates the transactions of business.

We propose, in many instances, where there are at present differential duties in favour of British possessions, to merge those differential duties altogether by lowering the foreign article to the level of the colonial; but where we are not able to lower the foreign article to the level of the colonial, we have not thought it would be considerate in any case to raise the duty on the colonial article. Lastly, we have been desirous to lower the duties that press on foreign articles of food which enter largely if not into the necessities of life, at any rate into what may be called the luxuries and comforts of the mass of the people.

Now, the application of this last rule will be as follows; as to articles of food, we propose to lower the duty on a number of articles, of which the principal are these:—Apples, from 6d. and 2s. a bushel to 3d.; cheese, from 5s. to 2s. 6d. per cwt.; cocoa, from 2d. to 1d. per pound; nuts, from 2s. to 1s. per bushel; eggs, from 10d. to 4d. per 120; oranges and lemons, from a variety of rates, all of them high, to 8d. per bushel; butter, from 10s. to 5s. per cwt.; raisins, from 15s. 9d. to 10s. per cwt. The produce of these articles to the revenue at the present moment is 571,000*l.*; the immediate relief given by the reduction on the same quantities would be 262,000*l.*, but, with the allowance which we think may be made for an immediate increase of consumption, the probable net loss will be 185,000*l.*

Besides these articles of food, which are 13 in number, including tea, there are 123 articles which we propose to set altogether free from duty, involving a loss of 53,000*l.*, and 133 more articles which we propose to reduce, involving a gross loss of 70,000*l.*, but one which, with an allowance for increased consumption, may be taken at 52,000*l.* The effect of this will be generally to effect a great simplification of the present system.

With respect, however, to *ad valorem* duties, the Committee will recollect that the abolition of them, however desirable in other respects, will by no means simplify the Tariff. In several cases, for example, in the case of musical instruments, we must introduce a number of complex descriptions to get rid of one apparently very simple one. The resolutions I shall lay on the table will enable the House, when they come to the consideration of them, to assist the Government in determining whether in any of the cases I have stated it will not be better to adhere to the *ad valorem* duty. All I now say is, that if the proposal does not wear the appearance of simplicity that may be desired, it is because this change of necessity tends to multiply specifications.

The effect of these various changes in the Customs' duties, as applicable to the year 1853-54, will be to produce a gross loss of 1,338,000*l.*, but a loss which, we trust, will again be reduced by increase of consumption to 658,000*l.* And now, Sir, I will sum up the entire effect of these operations for the financial year 1853-54. The remissions of taxes we propose as applicable to 1853-54 will cause a gross loss in the Excise of 786,000*l.*, or a net loss of 771,000*l.*; in stamps, a gross loss of 417,000*l.*, or a net loss of 200,000*l.*; in post-horses, 27,000*l.*; in Customs, altogether, the gross amount of 1,338,000*l.*, or a net loss of 658,000*l.*, thus showing a remission of taxation for the present year of 2,568,000*l.*, and a loss incurred by the revenue, after allowing for the degree in which the remission will be replaced by increased consumption, of 1,656,000*l.*

Therefore, Sir, the state of the account for 1853-54 stands thus:—We have a surplus of 807,000*l.* We invite you to grant us the means of raising by new taxes the sum of 1,344,000*l.*—making an available fund of 2,151,000*l.* We propose to enact a remission of taxes, to take effect at once, that will entail a loss to the revenue of 1,656,000*l.* There will remain a surplus sum of 493,000*l.*, of which a portion, exceeding 200,000*l.*, will be, not from permanent sources, but in the nature of occasional or incidental payment. The committee will, I think, be of opinion that it would not be prudent, especially as we have in contemplation a scheme affecting the debt, to proceed with a surplus less than this. Indeed, it may appear too small: but the committee will presently see that the following year, 1854-55, may make some addition to it.

I have still the important duty to discharge of redeeming the pledge which I gave the committee, to the effect that the Government were not paltering with you or with the people of England about the income-tax, but that when we say we propose to place you in a condition to remove it at a future day, which day we are prepared to fix, we make that proposal on the basis of calculations which, though they are of necessity less definite, and less susceptible of accurate verification than if they referred to the



present moment only, yet, I think, are founded on a safe and reasonable basis.

First, let me present to you the balance-sheet for 1854-5. We left the year 1853-54 with a surplus of about half a million, a considerable portion of which does not consist of permanent income. In 1854-55 you will have additional sources of income that will be available, more than countervailing the new charge. The additional charge will be—on the tea duties, 510,000*l.*; on post horses, 27,000*l.*; the remainder of the soap duties, 340,000*l.*; assessed taxes, 170,000*l.*; colonial postage, 40,000*l.* All the additional charges which we now invite you to calculate upon for 1854-55 will be 1,087,000*l.* Then the legacy duty will be available for the second year to the extent of 700,000*l.*; the reduction of interest on the  $3\frac{1}{4}$  per Cents., of which, according to the usual principle of computation, one-half is taken credit for, will give a sum of 312,000*l.* The second moiety of the extension of the income-tax will add to this income 295,000*l.*

Putting these sums together, you will find that the whole additional charge to be made for 1854-55 will be 1,087,000*l.*; and the additional income which I propose being 1,307,000*l.*, there will be, so far as that year is concerned, a profit which will justify the committee, I think, in giving its assent, notwithstanding the narrowness of the surplus with reference to the extent of the scheme, to the remissions which I have proposed. At the same time it is right that the committee should have fully and clearly in view the complete extent of these remissions of indirect taxation. They will be as follows:—Soap duties, 1,126,000*l.*—(I am now taking the extent of the relief or immediate loss to revenue, without any allowance for the recovery in cases of reduced duty); stamps, 418,000*l.*; assessed taxes, 290,000*l.*; post-horses, 54,000*l.*; total—so far as the Board of Inland Revenue is concerned—1,888,000*l.* Then, in the Customs' duties the gross loss will be no less than 3,084,000*l.*; on articles of food—butter, cheese, and the rest—262,000*l.*; on minor duties, 120,000*l.*; or a total relief under the head of Customs' duties of 3,466,000*l.* Adding to these various amounts the small sum I have described under the head of colonial postage—40,000*l.*—the entire amount of remissions of indirect taxation to which the Government now invite the committee to assent will be not less than 5,384,000*l.*

With this remission of indirect taxation we propose to combine the bringing about a state of things, or the rational prospect of a state of things, in which you can, if you so please, really part with the income-tax. Let me now, therefore, represent to you the state of accounts which sums up and winds up the whole of this protracted statement. The remissions of indirect taxation proposed amount, as I have just explained, to a gross loss of

5,384,000*l.* Looking back to the remissions which have been made in late years, which began in 1842, and which were renewed on a very large scale in 1845 and 1846, we find that these remissions—within terms, as to some of them of eleven years, some of them of five or six years, but in the mean term of seven or eight years—have completely, or almost completely, recovered themselves.

The effect of such remissions in the way of recovery we have found to be twofold—first, that upon the consumer of the particular article, enabling him to increase his particular consumption of the various articles; secondly, that upon the general consumer, operating for the extension and invigoration of the trade of the country, and in that way extending and widening the means of consumption on the part of the great body of the people, and so in a still more powerful manner replacing the first loss occasioned by remission. We assume that what has happened before will happen again; that these remissions of indirect taxation which are analogous to the remissions that have been made heretofore, will, as these former remissions have done, replace themselves in about the same time; and I therefore assume that, so far as these remissions are concerned, you will, by the expiration of the income tax, find these taxes very nearly in amount what they now are. I will not enter into the question of what taxes you may think proper to repeal or reduce in the interval. It is sufficient for me to provide for the remissions which I now propose, and in the proposal of which I do not invite you to undermine, but on the contrary, I ask you to increase and confirm the stability of the financial system of the country.

How are we to attain a rational prospect of being able to part with the income-tax in 1860? The country, after so many announcements that have been made to it from time to time that the income-tax was to be parted with, has become, doubtless, incredulous on the subject, and may, perhaps, conceive that we are aiming at a fictitious and undeserved popularity when we seek to show that together with our remissions of indirect taxation we can enable the House to surrender the income-tax; but the statements shall be put plainly before the committee—the committee and the country can form their own judgment on them.

The amount of the income-tax, as we have it now, is 5,550,000*l.*; this amount will be increased, as I have proposed, by the addition of 590,000*l.* The gross amount, therefore, of this duty, so increased, will be 6,140,000*l.* I will not enter into a detail of its composition, and of the descending rates, but, taking the tax at 6,140,000*l.*, let us inquire in what condition Parliament will stand with reference to the parting with so large a sum of money. It will stand thus:—In the first place there will be available, as additions to the permanent sources of income—legacy duty, 2,000,000*l.*; spirits, 436,000*l.*; licences, 113,000*l.*;

making a total of 2,549,000*l.* towards the fund which we must provide in order to put Parliament in a position, if it should so think fit, to part with the income-tax.

Then we come to the anticipated reductions of charge, which of course will be as effectual to the purpose in view as positive additions to the revenue. The first of these reductions of charge is that on the Three-and-a-Quarter per Cents., which we owe to the wise measure of the right hon. member for Cambridge in 1844; that measure will bring to the account 624,000*l.* Then, bad as is our case with regard to the national debt, and loath as I am to encourage extravagant expectations in that quarter, yet it must be recollected that by the regular application of surpluses, and by the lapse of annuities, we in a small way operate from year to year, both on the capital of the debt and on the annual charge. Look back for the last eleven years and you will find, that since 1842 we have reduced the charge of the national debt, by these minor measures, irrespective of greater operations, at the rate of 80,000*l.* per annum. I will assume this to continue. I trust, a safe assumption, for I venture to hope that whatever the pressure upon our finances, and whoever may hold the reins of government, we shall always think it one of our main public duties—the very first of our duties—to make ample provision for maintaining the efficiency of the public service and the credit and honour of the country. I will assume, I say, that we shall continue to have the same amount applicable to the yearly reduction of the charge which we have had heretofore; and, taking that amount accordingly at 80,000*l.* per annum for the eight years up to 1861, this will give you a sum of 640,000*l.*

Adding this reduction of charge, which may be reasonably expected, to the sums to be created by the new means of taxation—which latter I have stated to be 2,549,000*l.*—we shall have an aggregate total of 3,813,000*l.* Then, in 1859-60, there will fall in the heavy burden of the Long Annuities and of another large portion of our terminable annuities. The first of these is 1,292,000*l.*, the second 854,000*l.*, together they will operate a relief of 2,146,000*l.* Adding this amount to the sum of 3,813,000*l.*, which I have already stated, you will find that, between the additional resources from taxation, and the reduction of charge which will accrue in the interval, and the falling in of the Long and other Annuities at the expiration of the period I have named, there will be an available increase of means at the disposal of Parliament, should the present plan of the Government be adopted, in the year 1860, to no less an amount than 5,959,000*l.*, against the 6,140,000*l.* of income-tax, which will be the total amount of that tax at that period. In the year 1860-1, half of the Income Tax at 5*d.* will be available. The balance I have stated will be applicable as respects the following year. The committee may now judge whether I have been jus-

tified in the language I have used with respect to the surrender of the income-tax. I have only to add that its surrender, added to the other changes we have now proposed, would make up in all a remission of taxes to the extent of eleven millions and a half.

Thus, then, Sir, if the committee has followed me, they will understand that we found ourselves on the principle that the income-tax ought to be marked as a temporary measure; that the public feeling that relief should be given to intelligence and skill as compared with property, ought to be met, and may be met with justice and with safety, in the manner we have pointed out; that the income-tax in its operation ought to be mitigated by every rational means, compatible with its integrity, and, above all, that it should be associated in the last term of its existence, as it was in its first, with those remissions of indirect taxation which have so greatly redounded to the profit of this country, and have set so admirable an example—an example that has already in some quarter proved contagious—to the other nations of the earth.

These are the principles on which we stand, and these the figures. I have shown you that if you grant us the taxes which we ask, to the moderate amount of 2,500,000*l.* in the whole, much less than that sum for the present year, you, or the Parliament which may be in existence in 1860, will be in the condition, if it shall so think fit, to part with the income-tax.

Sir, I scarcely dare to look at the clock, reminding me, as it must, how long, how shamelessly I have trespassed on the time of the committee. All I can say in apology is, that I have endeavoured to keep closely to the topics which I had before me

“—immensum spatiis confecimus æquor,  
Et jam tempus equûm fumantia solvere colla.”

These are the proposals of the Government. They may be approved, or they may be condemned, but I have at least this full and undoubting confidence, that it will on all hands be admitted, that we have not sought to evade the difficulties of our position—that we have not concealed those difficulties either from ourselves or from others; that we have not attempted to counteract them by narrow or flimsy expedients; that we have proposed plans which, if you will adopt them, will go some way to close up many vexed financial questions, questions such as, if not now settled, may be attended with public inconvenience, and even with public danger, in future years and under less favourable circumstances; that we have endeavoured, in the plans we have now submitted to you, to make the path of our successors in future years not more arduous, but more easy; and I may be permitted to add, that while we have sought to do justice, by the changes we propose in taxation, to intelligence

and skill, as compared with property—while we have sought to do justice to the great labouring community of England by further extending their relief from indirect taxation, we have not been guided by any desire to put one class against another; we have felt we should best maintain our own honour, that we should best meet the views of Parliament, and best promote the interests of the country, by declining to draw any invidious distinction between class and class, by adopting it to ourselves as a sacred aim, to diffuse and distribute—burden if we must; benefit if we may—with equal and impartial hand; and we have the consolation of believing that by proposals such as these we contribute, as far as in us lies, not only to develop the material resources of the country, but to knit the hearts of the various classes of this great nation yet more closely than heretofore to that throne and to those institutions under which it is their happiness to live.

CORRESPONDENCE

BETWEEN

THE CHANCELLOR OF THE EXCHEQUER

AND

MR. PHELPS.

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Birmingham, April 20.

SIR,—I am a clerk whose salary is just above 100*l.* a-year, and will therefore come under the operation of your measure on the income-tax.

Now, your proposition will come to this:—I shall have to pay 2*l.* 1*s.* 8*d.* hard cash to the tax-gatherer, and I shall be glad if you will point out where I shall be relieved on house-rent, on clothes, on meat, on flour, on coals—which last, during the past six months, have increased 75 per cent.—on education of children, on medical attendance, on borough or parochial rates. Mark, Sir, these items, after all, are the great items in housekeeping.

It has been said that our class will be more relieved than others by the remission on 238 articles. But these, if I rightly understand, will be only as a drop in the bucket. The repeal of the corn-laws was a *bonâ fide* relief, for which all are most thankful. I hope, Sir, you will therefore pause before committing so great an injustice.

I remain, your most obedient servant,

JOSEPH LLOYD PHELPS.

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Downing-street, April 21, 1853.

SIR,—The reasonable tone in which you write to complain of the proposal to extend a modified rate of income-tax from incomes of 150*l.* downwards to those of 100*l.*, leads me, though my time is very much occupied, to address you on the subject.

You observe that you will have to pay 2*l.* 1*s.* 8*d.* to the tax-collector, but will have nothing in return on the most important items of expenditure.

Let us look into this matter more particularly.

The tax-collector, should Parliament adopt the proposition of the Government, will, about the month of January next, call upon you for

the half-yearly payment of 1*l.* 0*s.* 10*d.*, which will be repeated in July; and this for seven years; when, unless Parliament, in consideration of other public benefits or necessities not yet foreseen, should prolong the tax, it will drop altogether.

Is this a hardship?

If you and your family do not form a strange exception to the general rule, you have, since 1842, been deriving great additional command over articles of use and subsistence from the changes that have been brought about in our fiscal system.

I think I do not over-state the actual savings upon incomes of 100*l.* per annum, which have directly flowed from legislation since 1842, if I put them at 5*l.* per annum.

In what manner has Parliament being enabled to give you the benefit of the sesavings?

By the imposition of an income-tax at 7*d.* in the pound, upon all incomes of 150*l.* and upwards.

Have the owners of those incomes, who have borne the exclusive burden, derived from the accompanying changes in legislation a greater proportional benefit than those who own incomes of 100*l.*?

On the contrary: it may easily be inferred from general considerations, and it is most plain to me from carefully collected facts, that the benefits of the income-tax have amounted to a much larger per centage on incomes below 150*l.*, than on incomes above that sum. I do not anticipate that you will doubt this.

The question then arises, if the income-tax is again to be imposed for a term of seven years, on those who have heretofore paid it, with a view to another great scheme of remissions of indirect taxation, for the benefit of the entire community, but especially of the incomes below 150*l.*, is it fair to those having 150*l.* and upwards that, after the class next beneath them in wealth have come into actual possession of a great pecuniary advantage, free of any cost whatever to themselves, that the higher incomes should again be required to bear, not only the main, but the exclusive burden, in order again to confer the main benefit on the lower?

Put yourself in my position; suppose the Government had not asked Parliament to go down, at 5*d.*, to incomes of 100*l.*; suppose that I had now been replying to some person with 150*l.* per annum, who had been complaining to me, that I called upon him to pay a tax in which you did not share, in order to bring about benefits in which you were to have a greater share than he—do you think I should have had as good an answer to make to him as I can now make to you?

But let us look more closely at your case. I observe, firstly, that you are in enjoyment of certain money advantages, which have been obtained for you at the cost of others; but it is not on that account that I would call upon you to pay. I do not scruple to say, that if you have a family—and if you have not your case must be regarded as an exception to the common state of men in society—you will realise savings from the changes we have proposed to Parliament greater than the cost at which we invite you to buy them.

You are asked to pay 2*l.* 1*s.* 8*d.* per annum for seven years from

January next. You will thus pay within about eight years from this time the sum of 14*l.* 11*s.* 8*d.* in all. The present value of this payment distributed as above may be from 11*l.* to 12*l.* What is it proposed you should gain on articles of common consumption in return for this 11*l.* to 12*l.*?

I have before me the household expenditure of a clerk in a country town with a wife and five children, and with an income of 100*l.* per annum.

I find that in 1852 his tea cost him 3*l.* 18*s.* But the changes proposed to take effect within the next three years will reduce the price of tea by 30 per cent. Thus, then, he will gain 3-10ths of 78*s.*, or 1*l.* 3*s.* 6*d.* per annum, on his tea.

I find that his soap cost him in the same year 26*s.* From the 5th of next July, if the changes proposed by the Government are adopted, the duty of 1½*d.* per pound on soap will be repealed. I may take this duty at 40 per cent. on the price. But the repeal of the duty will lead to such improvements in the trade that I understand there will be a further saving on the short price of 30 per cent. I will, however, take the whole reduction of price no higher than 50 cent., and this perhaps not until after a couple of years, when the trade shall have had time to expand in its state of freedom. The clerk whose income is before me, will for the same quantity of soap then pay 13*s.* only, instead of 26*s.* He will have saved 1*l.* 3*s.* 6*d.* on his tea, and 13*s.* on his soap—together 1*l.* 16*s.* 6*d.* This annuity is perpetual; it is for himself, and for his children after him; he will have bought it for a sum equal to between 11*l.* and 12*l.* Do you think he could buy a perpetual annuity—and I call it so because it is strictly true that money saved is money gained—of 1*l.* 16*s.* 6*d.* for 11*l.* or 12*l.* down? No, nor for double nor triple that money.

I have certainly here the case of a man with a family larger than the average. But pray observe, also, that he is therefore poorer than the average of those who have 100*l.* per annum; and thus his case shows how our proposals will operate on the most needy among those whom they affect.

I have, however, another case before me of a country tradesman with 120*l.* per annum, having a wife but no children; and in this instance the figures would not be very materially different.

I might, however, have pushed my case much further. I might have taken credit for savings that a large portion of the population will realize from the reductions of duty on butter, cheese, and a multitude of other commodities; as also from reductions on stamps and other articles. But I will not enter into them.

I wish, however, to point out that these reductions operate in many ways not at first sight perceptible. A printed calico which cost 22*s.* 6*d.* in 1830, including a duty of 5*s.* 8½*d.*, may now, when the duty is off, be had for less than 11*s.* Again, I think you are mistaken in supposing that the tax on soap does not enter into the cost of clothing. It is an important ingredient in the manufacture of printed calicoes, woollens, and worsteds. In some of these cases only half drawback is allowed; in all of them a worse and dearer article is used than would be employed



if soap were free, and the cost of the clothing on our backs is enhanced in proportion.

Again, you say education is not cheapened. I beg your pardon. We shall propose this year an addition to the vote of 100,000*l.* Every farthing of that money will go to cheapen and to improve the education of the children of persons with incomes less than 150*l.* per annum.

You say medical attendance is not cheapened. Surely medical attendance has, since 1842, been virtually and really cheapened to you, if medical men (as has been the case) have been called upon, without any increase of their fees, to pay income-tax in order to reduce the price of articles, of which persons of 100*l.* a-year are, relatively to income, larger consumers than they themselves are who have paid the tax.

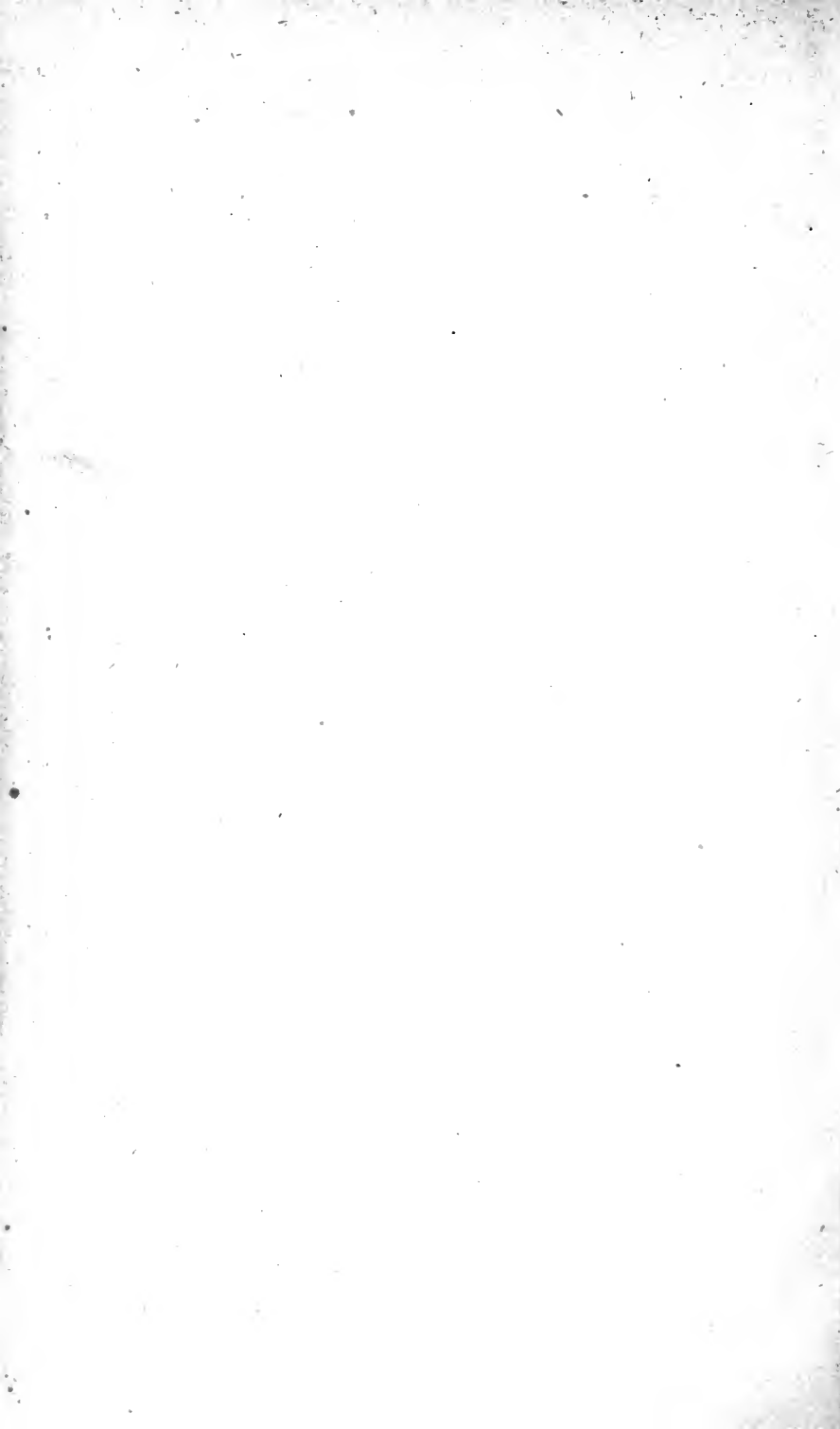
You may perhaps say, all this tells in favour of carrying the tax below 100*l.* I need not now enter upon that question; the labouring class, properly so called, presents a case to be considered apart; but I think there is no essential distinction, speaking generally, between incomes of 150*l.* and incomes of 100*l.*, which should exclude the latter from a moderate share of this tax; and I further think I have shown that the strictest considerations of justice not only warrant, but even may seem to require, the proposal which the Government has made. At any rate, I am certain of this, that had you been my constituent, and had a dissolution of Parliament been impending, I never should have presented myself to you with greater confidence, to render an account of my trust, and to ask for its renewal, than on the day after I had stated to Parliament the proposals which Her Majesty's advisers have laid before it.

I remain, Sir, your obedient servant,

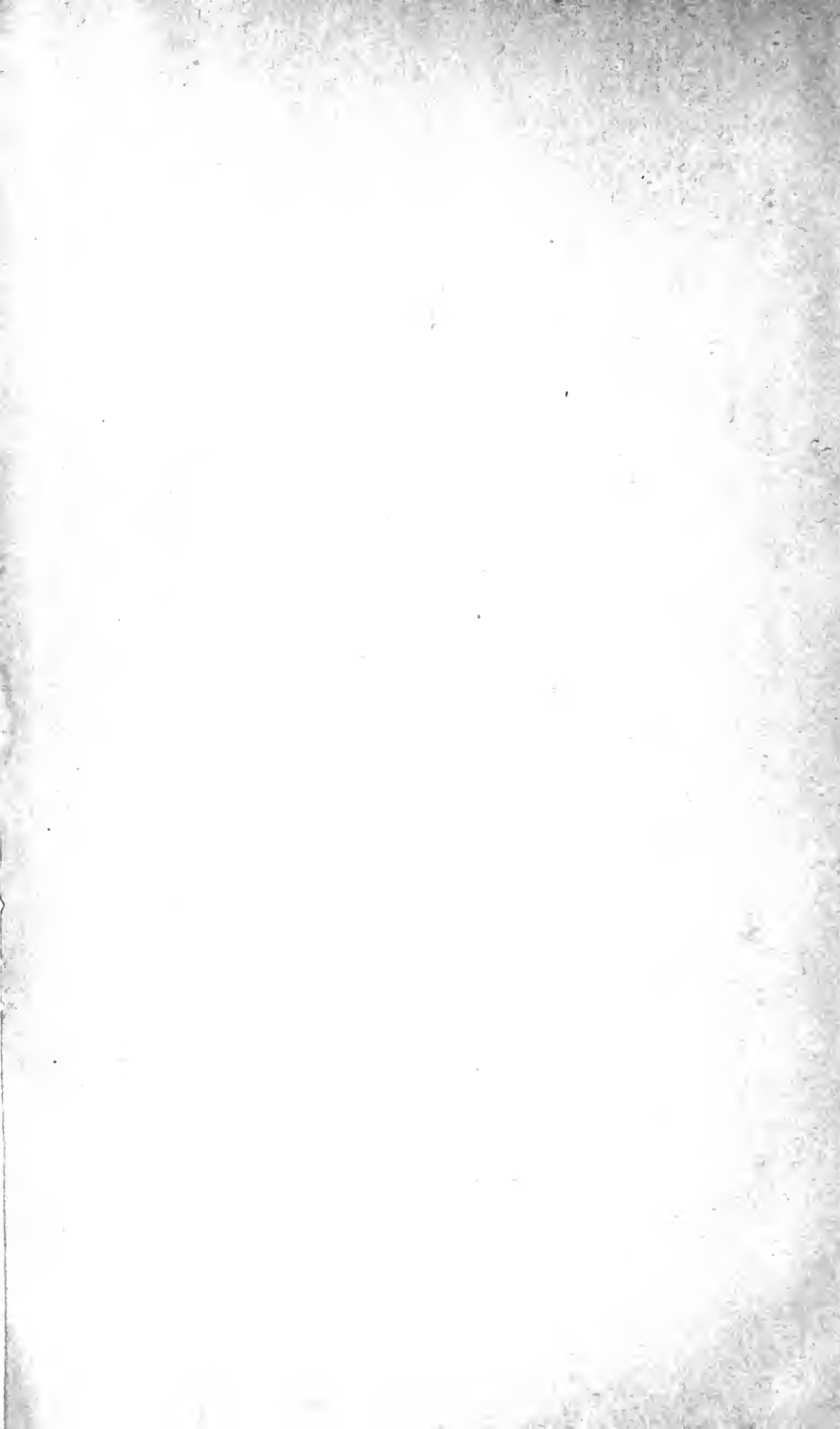
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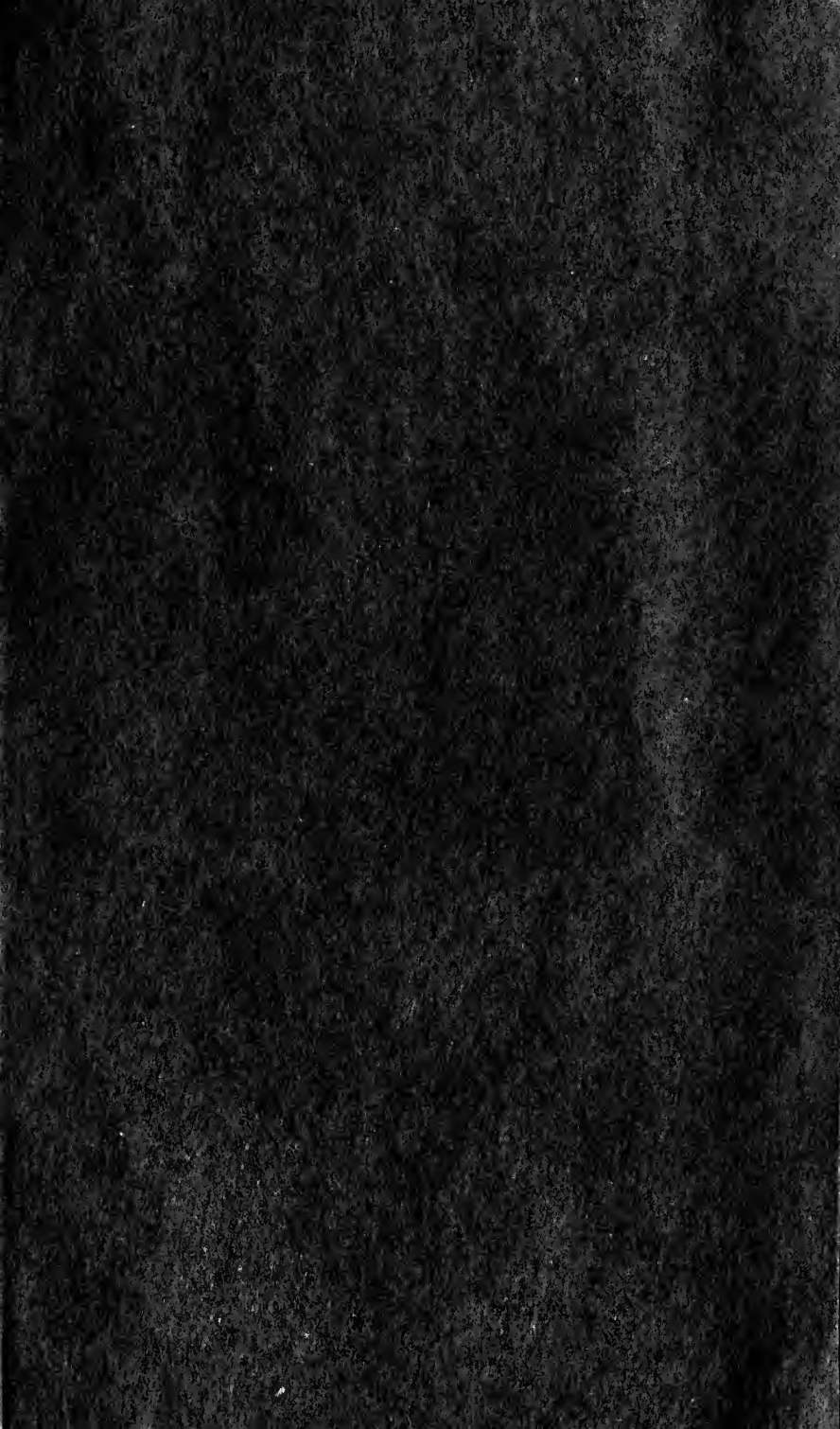
Mr. J. Lloyd Phelps.

You are at liberty to make any use of this letter you may think fit; although the figures I have used in it may have been somewhat roughly stated.









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